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ABSTRACT

The following papers from the National Association of State Scholarship and Grant Programs/National Council of Higher Education Loan Programs conference on student aid are provided: (1) "The Employees Tuition Benefit Programs of the Fortune 1000 Companies: Summary of Survey Results" (Joseph P. O'Neill); (2) "The Interaction of Federal Student Aid and Welfare Policy" (Janet S. Hansen; (3) "Coping with the Costs: How Adults Pay Their College Expenses" (James W. Augustin and Carol Mishler); (4) "The New York State Aid for Part-Time Study Program: A Progress Report"; (5) "The Implications of Redefining Independent Student Status" (W. Lee Hansen, Roxanne W. Reeves, and Jacob O. Stampen); (6) "Parents of Illinois Eighth Graders: A Survey of Their Knowledge about Academic and Financial Planning for Their Child's Education beyond High School" (Rhonda J. Dixon); (7) "Family Contributions toward Higher Education Expenses: Their Amounts, Sources and Impacts" (Micheileen J. Doran, Alan P. Wagner, and Constance White); (8) "Loan Planning Models for State Agencies--What Insurance Fee Is Required to Maintain an Adequate Reserve Fund Balance?" (Paul G. Marble); (9) "Characteristics of GSL Borrowers in Repayment" (Joseph D. Boyd); (10) "The Use of Student Financial Aid to Attract Prospective Teachers: A Survey of State Efforts" (Irene K. Spero); (11) "The Impact of Student Financial Aid on Career Choice" (David M. Arfin); (12) "Some Observations on Loan Debt Burdens" (Jerry S. Davis); and (13) "GSL Default Trends in New Jersey: Comparing Cohort Default Rates" (Lutz Berkner and Linda Gearl). References are provided at the conclusion of individual papers. (KM)

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Loyola University of Chicago

THE PROCEEDINGS

Volume 2

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VOLUME 2

TABLE OF CONTENTS

Page

Non-Traditional Students

Business and Industry Tuition Reimbursement Programs: Their Impact on the Adult Learner.....295

Financial Aid and Welfare.....301

How Adults Pay their College Expenses.....313

Part-time Student Financial Aid.....333

Financial Aid for Independent Students.....395

Family Financing of Higher Education

Academic and Financial Planning for Higher Education by Parents of Illinois Eighth Graders.....437

Parents and Access to Financial Aid.....475

How Families Pay for College.....477

Loan Issues

Loan Planning Models for State Agencies.....505

Characteristics of GSL Borrowers in Repayment.....521

Loan Programs for Teachers.....535

Financial Aid Incentives to Study for a Specific Occupation: Lessons from the Health, Military, Teaching and Law Enforcement Fields.....569

Debt Burdens.....587

Problems with the Calculation of Default Rates.....593

CHAPTER I

THE EMPLOYEES TUITION BENEFIT PROGRAMS OF THE *FORTUNE 1000* COMPANIES: Summary of Survey Results

Joseph P. O'Neill,
Executive Director
Conference of Small Private Colleges

INTRODUCTION

This chapter summarizes the results of a survey of the *Fortune 1000* companies that was conducted in the summer and fall of 1983 by the Conference of Small Private Colleges under a grant from the Fund for Improvement of Postsecondary Education. A copy of the questionnaire we used to gather the data is reprinted in Chapter IV. In addition some 50 companies enclosed copies of their tuition benefit plans when returning the questionnaire. Information from these policy statements has been included to give more depth and texture to the survey data. A representative sample of these policies is also included in Chapter II.

WHO BENEFITS FROM TUITION REIMBURSEMENT

Of the 655 companies that replied to the questionnaire, only 24 (3.7%) did not have tuition reimbursement plans and they tend to be concentrated in two industries: airlines and retail sales. The 655 companies surveyed employ approximately 17 million people, almost a quarter of the private sector labor force. Not all 17 million workers are eligible for these benefits, however. The 24 companies without plans, among them Sears Roebuck with 400,000 employees and J.C. Penney with 173,000, count more than 1.1 million workers on their payrolls. In addition 168 companies (26.6% of those with plans) do not extend eligibility to hourly workers. It is difficult to calculate how many hourly employees have no access to tuition benefits. Many are covered by separate union contracts that include tuition reimbursement among their benefits.

LEGAL BASIS FOR CURRENT TUITION BENEFIT PROGRAMS

Prior to January 1979, the Internal Revenue Code counted as income to the employee any payments an employer might make for college courses or other educational programs that were not directly related to the employee's current job. Under the tax code in effect at the time the key questions were: (a) was the course aimed at maintaining or improving skills required in a job; or (b) developing skills needed to keep a job? If an employer paid for courses aimed at qualifying an employee for a new job, those costs would be counted as income to the employee. The result was that middle and upper management employees whose duties are broadly defined could be reimbursed for a much wider range of courses than entry-level or clerical employees where job definitions are much more specific. Those in lower level jobs were, in effect, discriminated against.

In a major break with tradition Section 127 of the Internal Revenue Code was amended, effective January 1, 1979, allowing an employee to receive non-job-related educational assistance from his or her employer without incurring a tax liability. This easing of the tax code has had three discernible effects on company tuition reimbursement policies:

- Of the 631 companies that reported having tuition plans, 64% reimbursed employees for certain kinds of non-job-related courses. One very common policy was that the company would reimburse employees for non-job-related courses that were a required part of a job-related degree program.

- Of the 228 companies that do not reimburse for non-job-related courses, many show in their published policies a broadening in the definition of what courses might be eligible. Phrases such as "a position to which the employee might reasonably aspire", "company-related", and "career-related" have replaced the more restrictive "job-related" category.

- Despite the changes in the tax code which allow a company to reimburse for non-job-related courses, such courses, even when a required part of an approved degree program, are often reimbursed at a different rate or lower dollar limits than job-related courses. Some companies, NCR for example, defer reimbursement for non-job-related courses until the employee completes the degree program.

Unfortunately the "non-job-related" provision of the tax code expired on December 31, 1983 when Congress failed to act on H.R. 2568, a bill that would have made the provision permanent. If Congress fails to act in early 1984, many companies are likely to tighten their reimbursement policies.

LIMITS ON REIMBURSEMENT

A little more than half (53.2%) of the plans surveyed did not set an explicit maximum on the amount of tuition they would be willing to reimburse. This does not mean, of course, that reimbursement was unlimited, only that less explicit administrative forms of control were used to prevent budget overruns. Harper & Row's policy for example, states that the company will reserve a sum for a 12 month period to reimburse for approved courses. If applications should exceed funds available, the administrator of the Plan is authorized, in conjunction with an advisory committee, to make awards based on individual merit. Another cost containing strategy is to make the approval process more stringent as potential costs increase. At W.A. Krueger Company, for example, the application to take an individual course must be approved by three levels of management; to gain the approval of a work-related *degree* program requires a sign-off from five levels of management.

The most common way to limit reimbursement is a policy that requires the employee to share some significant percentage of the cost of tuition. This percentage can either be a constant for, say, all undergraduate courses or a variable percentage according to the grade received. Of the 631 companies with reimbursement plans 26.4% required that the employee pay some percentage of his or her tuition. The range was as follows:

- Employees paid from 10% to 25% of the cost of tuition at 130 companies.

- Employees paid from 26% to 50% at 37 companies.

- No company required an employee to pay more than 50%.

Fewer than 30 companies varied the percentage reimbursement according to grade received, for example, "A" = 100% reimbursement; "B" = 85% and "C" = 75%. (Unfortunately we cannot be more precise on this point. Our survey question confused a grade satisfactory enough to be reimbursed with a percentage reimbursement based on grade).

Explicit limits on tuition reimbursement were reported by 286 companies (45.3%). Of the 158 companies that stated dollar limits, we found that the low was $200 per year and the high was $4000. The dollar ranges were as follows:

$200 to $499	10 companies
500 to 999	42 companies
1000 to 1499	50 companies
1500 to 2000	40 companies
more than 2000	16 companies

The other standard limitations were expressed either as the number of courses or number of credits that an employee might take during the course of the year. (These limitations often overlap. For example a policy might state $1500 or 12 credits for the year; or 6 credits/ 2 courses). Of the 89 companies that listed either course or credit limitations, only 8 allowed an employee to take more than 18 credits per year; only 5 companies allowed more than 6 courses per year. One interesting variation that we found in States with low-cost public university systems was that some policies stated that reimbursement could not exceed the cost of a similar course or program at a public institution. Ameron, Fluor and Mattel in California and Minnesota Mutual Life were among those that pegged reimbursement to public college tuition rates.

SATISFACTORY COMPLETION

Of the 286 companies that set a specific standard for "satisfactory completion", that is, reimbursement is contingent on achieving some minimum grade, the most common was: "C" or better for undergraduate courses; and "B" or better for graduate programs. This standard is, in effect, one grade above "passing". A smaller number of companies required just a "passing" grade. Another common wording was: "Satisfactory completion as defined by the school or college attended". A few companies, NCR and Fluke Manufacturing for example, are willing to reimburse for a lower than standard grade as long as the employee's cumulative average is "C"/2.5 GPA or better for undergraduate or "B" for graduate courses. Parsons and Central Soya were among the few that required "B" or better for undergraduate courses.

One of the educational innovations of the 1970's that has not found favor with many in business is the practice of granting credit for life experience. Pacific Gas and Electric in its policy states: "Courses or credits that are based on, or obtained through, life or work experience will not be approved". NCR makes a similar judgment: "Credit given for work experience does not qualify for tuition refund. It is the intent of the policy to reimburse for additive knowledge only". Another common restriction is that audited courses, that is those not taken for credit, are ineligible for reimbursement. The reaction to accredited correspondence courses is mixed. IBM, Pacific Gas & Electric, Kennametal, and Harper & Row, for example, will reimburse for home study. Pratt & Lambert, Walt Disney, NCR and Brockway do not.

CHANGES IN EMPLOYMENT AND STATUS

One sticky question which many companies address in their policy statements is: Who pays the tuition when, in the middle of a semester, an employee is laid off, quits, is fired, drafted or transferred? An employee who quits voluntarily or is discharged for cause presents few problems. We found no company that reimburses in either situation. Cases of temporary layoff are more complex. Since the employee has enrolled in a course not only with the company's approval but with its promise to reimburse, a question of fairness is involved when the layoff is due to the company's decision and not the employee's. Some companies, W.A. Krueger, Kennametal and Libby-Owens-Ford, for example, finesse the question by stating that reimbursement is contingent upon the employee being employed by the company from the time of enrollment through course completion. Other companies, such as NCR, Pacific Gas & Electric, Gulf Oil and Dr. Pepper, simply reimburse employees who have been laid off. Two company policies, Brockway and the Barnes Group, make an attempt to deal with the "temporary" nature of a layoff. The Brockway policy states that reimbursement will be made "only after the employee

has returned to full-time employment". The Barnes Group, while reimbursing a laid-off employee for currently enrolled courses, states: "If he is still laid off at the start of a new semester, approval for tuition reimbursement will not be granted". The most generous layoff policy we found was Westinghouse's *Educational Opportunity Program:* "Former employees on layoff will be eligible, under the conditions outlined below, to receive the training allowance of 50 percent of weekly pay for a minimum of eight weeks while attending courses".

When employees were unable to complete a course for reasons beyond their control, for example, transfer, mandatory overtime, unforeseen work schedule change, drafted into military service or medical emergency, most companies are flexible enough to reimburse the tuition expense that the employee incurred. We found only one company, Walt Disney, that required an employee to refund tuition reimbursement if the employee "terminates his/her employment within one (1) year following the completion date of any course(s). . .".

TIMING OF REIMBURSEMENT

"Reimbursement upon satisfactory completion" comes very close to being a universal standard. 86 percent of the companies responding to our questionnaire reimbursed their employees only after a satisfactory grade report was submitted. This practice places upon employees the burden of financing the initial tuition payment out of their own cash reserves. This is no slight burden, especially for clerical and hourly workers. Tuition at private universities now averages $100 a credit hour and at public four-year institutions from $35 to $60 a credit hour. At schools where a semester system is in effect, the employee may have to wait as long as five months before being reimbursed. Many employees, especially those who are not in the management ranks, find that "reimbursement upon satisfactory completion" is a serious deterrent to taking courses at all.

Some companies, the Barnes Group for example, have loan programs to help employees with the initial tuition payment. Others pay for the course when the employee first enrolls but if a satisfactory grade report is not submitted, they recoup the tuition payment through payroll deductions. As an alternative, Sterling Drug pays 75 percent of tuition when the employee enrolls. When a satisfactory grade report is submitted, the company reimburses the remaining 25 percent. McDonald Douglas and Getty Oil are among those who delay the final 25 percent of reimbursement until the degree requirements are completed.

The Millipore Corporation found an interesting way around the reimbursement problem by paying up front for the *first* course an employee takes. If the employee completes the course in a satisfactory manner and turns in the grade report, the company continues to pay up front for subsequent courses. If, however, "a course is not completed, or if verification is not received, subsequent courses must be paid for by the employee who will not be reimbursed until proof of completion is received".

The basic problem underlying company reimbursement policies is: How do you invest company funds *only* in those who are serious about their professional advancement? An unalloyed "reimbursement upon satisfactory completion" policy tends to weed out not only those who are less serious but also those who are less affluent. It is also a policy that throws all the risk of taking a difficult course on the employee. Lower paid employees are thereby doubly disadvantaged. They can afford neither the up front payment of tuition nor the risk of failure. Companies that are serious about the promotion of talent wherever it is found should be willing to share some of the risk that the employee now bears alone.

LENGTH OF SERVICE REQUIREMENT

According to our survey, 379 companies (60%) give new employees immediate eligibility for tuition benefits. A few even reimburse for courses in which the employee was enrolled when he or she was

placed on the payroll. For companies that do not grant immediate eligibility, 10.5 percent require at least 3 months employment; 15.8 percent between 3 and 6 months; and 13.6 percent more than 6 months. The longest eligibility period was 36 months (2 companies).

Within those general standards we found several variations. Some companies that have a length of service requirement waive it for holders of a bachelor's degree. Others require a longer period of service for one class of employee than another or for certain types of courses. A few grant reimbursement to retired, disabled, or part-time employees. The vast majority, however, require that an employee be employed full-time to qualify for tuition benefits.

CONCLUSIONS

The 1978 liberalization of the tax laws regarding non-job-related education had an immediate and widespread effect on tuition benefit plans. Prior to 1979 few company plans reimbursed for non-job-related courses. Today almost two-thirds of the *Fortune 1000* companies reimburse employees for at least non-job-related courses that are part of an approved degree program. One question for the future is whether more favorable tax treatment of training and education expenses is a way to deal with two major industrial and social problems: the retraining of workers in the declining smoke stack industries and the retention of the nation's leadership position in science and technology.

The tax laws of the United States do not grant investment in "human capital" the same favorable treatment as investment in equipment. Tax credits and accelerated depreciation are available to companies that purchase the human intelligence that is embedded in a machine but not when it is embodied in a person. An employee's scientific, management or engineering knowledge is subject to the same obsolescence that, in time, makes a machine outmoded. Yet the tax laws allow no depreciation or cost recovery schedule for companies that invest in the continuing education of their staff. Treating education as an investment on a par with the purchase of capital equipment may be a vital incentive for the reindustrialization of America.

PREPARED FOR A CONFERENCE ON "WOMEN ON WELFARE: EDUCATION AND WORK," SPONSORED BY THE FORD FOUNDATION AND HELD ON MAY 15, 1986 AT THE CITY UNIVERSITY OF NEW YORK GRADUATE CENTER TO DISCUSS THE FINDINGS OF A PROJECT DIRECTED BY PROFESSOR MARILYN GITTELL

April 28, 1986

THE INTERACTION OF FEDERAL STUDENT AID AND WELFARE POLICY

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Federal student assistance programs were created to help equalize educational opportunity. Educational opportunity for the nation's most disadvantaged citizens, however, may be hindered by the way student aid programs interact with other federal programs designed to help maintain the income of the poor, the handicapped, the unemployed, and the disabled. These latter programs, known as "income maintenance" or "public assistance," include such things as Aid to Families with Dependent Children, Food Stamps, Medicaid, and Public Housing Assistance.

Three papers published by the Washington Office of the College Board over the last five years explore the interaction of income maintenance and student assistance programs.[1] Our publications were based largely on the work of four analysts working with the office: Nancy Mudrick, Paul Franklin, David Paul Rosen, and Beatriz Clewell.

We found that individuals receiving benefits from both student aid and income maintenance programs can indeed be caught in a "catch-22"

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[1]Paul L. Franklin, College Opportunity and Public Assistance Programs. Ideas for Resolving Conflicts, College Board, 1984.

Janet S. Hansen, Income Maintenance Programs and College Opportunity, College Board, April, 1982.

Nancy R. Mudrick, The Interaction of Public Assistance and Student Financial Aid, College Board, 1980.

situation: receiving financial assistance to attend college can have the effect of reducing aid received for other basic living expenses. Moreover, the laws and regulations that determine how individuals will fare if they are eligible for both kinds of programs differ from place to place. They sometimes appear so confusing that they may in themselves constitute a strong disincentive for the very poor to enroll in college.

Our last report concluded that there is:

> an apparent contradiction in federal policy. On the one hand, the federal government has sought to increase educational opportunity by providing financial aid programs to help meet college costs for those unable to pay for postsecondary education on their own. The substantial federal investment in student aid programs is premised on the belief that attainment of a college education provides the best opportunity for low-income citizens to break the poverty cycle . . . On the other hand, low-income people may be penalized by the public assistance programs upon which they rely for basic subsistence if they try to take advantage of student financial aid programs and pursue higher education.[2]

This paper explains how these penalties come about and reviews efforts to remove them by legislative action. It also discusses some of the reasons why it is difficult to remove these penalties by federal fiat, especially when (as in the nation's basic welfare program) an important value is shared responsibility between federal and state governments. Shared responsibility means shared decision-making and implies that state and local decision-makers may have differing views than federal officials on the proper relationship between welfare and student aid programs.

Our papers touch on a number of income maintenance programs but concentrate primarily on the interaction of student aid and the largest program providing basic income assistance. Aid to Families with Dependent Children (AFDC). In other cases, legislative changes have in effect

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[2]Franklin, College Opportunity, p. 2.

eliminated inconsistencies by eliminating or greatly reducing student participation. For example, the 1981 Omnibus Budget Reconciliation Act ended Social Security student benefits. Other legislative restrictions enacted over a decade have left few students eligible to receive Food Stamps, though regulations make it almost certain that student aid, except for amounts used to pay tuition and mandatory fees, will be counted as unearned income and will cause Food Stamp benefits to be reduced for the few students remaining in the program. Medicaid interacts with student aid mainly through its tie to AFDC. AFDC recipients are automatically eligible for Medicaid, but if the receipt of student aid causes them to lose their AFDC eligibility, they may (depending on the state) lose Medicaid eligibility as well.

AFDC is the major program designed to provide basic subsistence to the nation's poorest citizens. The 1981 budget reconciliation act eliminated federal payments for 18-to-21 year old dependents in AFDC families who were enrolled in college[3], leaving heads of AFDC households as virtually the only group of recipients still able to attend college while retaining AFDC benefits. Nevertheless, there are still a large number of current AFDC beneficiaries who could be affected by program inconsistencies if they desire to enroll in college.

The interaction of AFDC and student aid

AFDC recipients attending college can lose welfare benefits if they receive student aid because both sets of programs can provide

[3]The number of students affected by this provision is unknown, though results of earlier studies of AFDC recipients suggest it may have been in the range of 150,000-200,000.

money for paying--yet use different standards in calculating--the daily living expenses and instructional costs of postsecondary education. States are given fairly wide discretion in setting rules for AFDC, because they jointly fund the program with the federal government; and they differ in their treatment of student aid in determining eligibility for public assistance. Nancy Mudrick wrote in 1980 that:

> the AFDC program has varying rules that sometimes count student aid as family income and sometimes do not, depending on the state involved and the source of the assistance. Federal rules prohibit AFDC from counting any federal grants as family income in determining AFDC benefits. In many cases, however, AFDC will count state and/or institutional grants as income to the extent that they exceed direct instructional costs and (for residential students) costs for room, board, and perhaps other living expenses. Since student aid grants frequently cover allowances for personal expenses, travel, and so forth, the net effect on the family may be a reduction in the AFDC payment equal to the amount of student aid received for these noninstructional education expenses. Furthermore, AFDC benefits for families of commuter students may be reduced because the allowance for living expenses given by student aid is usually more generous than the poverty level standard used in public assistance programs.[4]

Welfare recipients attending college usually encounter expenses over and above those they would have anyway, such as the costs of books, meals on campus, commuting, and child care. The welfare office may not recognize such items as allowable costs of education, though it normally disregards student aid that covers educational expenses when determining AFDC eligibility. If welfare caseworkers do recognize any of these expenses, they may exempt only standardized allowances rather than actual expenses, even if the latter are demonstrably higher. In several states, students have had to sue welfare agencies in order to have their actual expenses counted by welfare administrators.

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[4]Mudrick, Interaction, p. 1.

In recent years, stricter job search and work requirements in AFDC have added to the difficulties welfare recipients face if they wish to enroll in college. There has been a trend away from viewing postsecondary education and training as options for AFDC beneficiaries and toward a new emphasis on employing these individuals as quickly as possible. Again, there is great variation across the nation, as states are empowered to decide whether to set up "workfare" or other job programs for AFDC recipients, how tightly to structure requirements for participation, and whether to allow education and/or training as recognized elements in individual recipients' "employability plans."

A final problem faced by welfare recipients interested in college is simply confusion resulting from overlapping programs and inconsistently-applied rules. Mudrick summarized the problems this way:

> It is practically impossible for an AFDC family to determine in advance what resources it will have available if one of its members goes to college, since public assistance benefits depend so directly on the exact nature of other assistance received. Not only will these resources not be known until the student is ready to enroll in school, but the family will be unlikely to detect any error that may be made as AFDC is adjusted to account for student aid benefits received. In some states, the complexity of the systems actually seems to have made some public assistance administrators hostile to student aid, since the complicated adjustments that result when AFDC and student aid interact make the already cumbersome process of determining AFDC eligibility even more difficult.[5]

One critical finding from our research, especially the most recent paper by Paul Franklin, is that many of the problems facing welfare recipients who wish to enroll in college can be overcome when student aid and welfare administrators work together to minimize the difficulties caused by two very different kinds of benefits and numerous specific programs. Examples of

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[5]Mudrick, Interaction, p. 2.

significant cooperation abound at the campus and local level, and collaboration has been successful at the state level in places like Massachusetts, California, and Wisconsin. For instance, Massachusetts welfare policy explicitly recognizes education through the baccalaureate level as an acceptable activity for AFDC recipients. California has a program that encourages AFDC recipients to attain high school diplomas, postsecondary certificates, or associate degrees as a way to break out of the welfare cycle. And Wisconsin has developed a written set of joint procedures for both student financial aid administrators and the Division of Family Services to ensure that receiving student aid does not unduly penalize AFDC recipients. The result of the Wisconsin agreement is that the AFDC benefits of a recipient attending school and receiving student aid will remain intact, regardless of the source of the aid.

Conflicting policies in student aid and AFDC can be overcome, but only where there is a will to do so. As Franklin points out,

> we found that the prospects for overcoming conflicts between AFDC and student aid vary significantly from place to place. They are poor where AFDC agencies or administrators place a high priority on reducing current public assistance costs by decreasing the welfare roll and where, as a result, postsecondary education is not viewed as a legitimate pursuit for AFDC recipients.[6]

Removing penalties through federal action

The fact that student and welfare policies have built-in contradictions suggests an obvious question: can't inconsistencies be removed through changes in the appropriate federal legislation? Mudrick's paper tackled this issue, describing a number of ways in which federal policy could be changed to reduce conflicts between student aid and welfare and to insure that welfare

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[6]Franklin, College Opportunity, p. 3.

recipients attending college have sufficient resources to meet all of the expenses they are likely to face. She noted, however, that each of her suggestions is "fraught with difficulties--conceptual, fiscal, or operational"--which must be weighed along with benefits that might be gained from changing the current system.

For example, the federal government could require that all public assistance programs adopt the same rules allowing welfare recipients to attend college and mandating uniform treatment of student aid. It could require states to disregard all student assistance, not just federal aid, in calculating welfare eligibility or at least to exempt aid given for educational expenses defined in a consistent way nationwide. Such changes, however, would remove discretion that has traditionally been given to states, in accordance with their shared financial responsibility for programs such as AFDC, and would engage the federal government in making decisions that have spending implications for the states.

These examples suggest that modifying policies and procedures to make student aid and public assistance interact more smoothly and consistently is not an easy task. In addition to the practical problems involved, Mudrick pointed out that the quest for consistency runs headlong into:

> basic philosophical questions about the responsibility for, and the adequacy of, support for persons who receive public assistance as well as student financial aid. . . (and) touches on an issue that has been debated since the inception of public assistance. That is, to what extent should the welfare system merely relieve the distress of the needy or attempt to alter the situations which created that need? Students dependent on public assistance are caught between the long-run social objective of education as a means to upward mobility and reduced dependency, and the short-run desire to use all available resources in order to reduce the current costs of welfare.[7]

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[7]Mudrick, Interaction, pp. 17-18.

Federal lawmakers are no more agreed on these issues than are state and local officials.

In 1968 Congress attempted to remove at least some of the barriers facing students eligible for both federal student aid and welfare benefits. The Higher Education Amendments of 1968 include a section that says:

> "For the purpose of any program assisted under title I, IV, V, XIV, XVI, or XIX of the Social Security Act, no grant or loan to any undergraduate student for educational purposes made or insured under any program administered by the Commissioner of Education shall be considered to be income or resources."[8]

This section is supposed to be used in determining benefits for all the major need-tested welfare programs authorized by the Social Security Act: Old Age Assistance, AFDC and Child Welfare Services, maternal and child health services block grants, aid for the permanently and totally disabled, supplemental security income, and medical assistance programs. It says that in calculating income or resources, welfare officials must disregard aid awarded from the major federal student assistance programs authorized by the Higher Education Act: Pell Grants, Supplemental Educational Opportunity Grants, National Direct Student Loans, and Guaranteed Student Loans. College Work-Study and State Student Incentive Grants are more problematic, the first because it doesn't fall clearly under the "grant or loan" proviso and the latter because it is arguable whether these grants are "made or insured" by the Commissioner (now Secretary) of Education. College Work-Study in particular has been the subject of litigation by students challenging state or local welfare decisions excluding it from coverage under the 1968 legislation.

The 1968 law has been only partially successful in eliminating penalties for AFDC recipients who receive student aid, as the College Board's research

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[8]Higher Education Amendments of 1968, P.L. 90-575, Title V, Sec. 507, 82 Stat. 1063.

attests. Though the Department of Health and Human Services, which administers AFDC at the federal level, has issued AFDC regulations that incorporate the 1968 law, there is anecdotal evidence that these rules are not being followed in many places. Where they are, they only govern the treatment of federal student aid, and then only those federal programs "made or insured" by the Secretary of Education. Many students who benefit from these programs get other student aid as well: state aid, institutional awards, or federal health professions grants or loans, for example. Nothing in current federal law prevents welfare officials from reducing AFDC benefits on the basis of aid received from these latter programs, and many do.

Members of the Congressional education committees have shown increased interest in the interaction of student aid and public assistance in recent years. The College Board's research and growing attention from women's groups may be partially responsible. In addition, legislators have heard complaints from individual welfare recipients about their benefits being cut as a result of receiving student aid. The number of complaints may be rising as economic conditions (such as the farm crisis) add new and different groups to the list of people affected by welfare/student aid inconsistencies. Attempts to translate increased concern into legislative action, however, demonstrate the continuing practical and philosophical problems that hamper efforts to make student aid and welfare interact more smoothly.

The House Subcommittee on Postsecondary Education held a hearing on these issues in July 1985 in preparation for reauthorization of the Higher Education Act. Though neither the Subcommittee nor the full Committee on Education and Labor included any remedy for the student aid/welfare problem in their reauthorization legislation, Representative Steven Gunderson (R-Wisc.) successfully offered the following amendment during floor debate to modify title IV, the student aid title:

SECTION 480B STUDENT ASSISTANCE AND OTHER FEDERAL PROGRAMS

> No portion of any student financial assistance received by an individual from any program funded in whole or in part under title IV of this act which is used by that individual for the payment of tuition and fees, as those terms are used in section 472 (1) and (2) of this title, shall be considered as income or resources in determining eligibility for assistance under any other program funded in whole or in part with Federal funds.[9]

Section 472 (1) and (2) includes tuition, fees, equipment, materials, supplies, books, transportation, and miscellaneous personal expenses. It does not include room and board or the equivalent for students living off campus or with their parents.

At this writing, and despite inclusion of Representative Gunderson's amendment in the House legislation, the prospects for resolving the contradictions between student aid and welfare through federal legislation do not appear significantly better than when Mudrick described the difficulties in 1980. Not only is the Senate unlikely to follow the House lead, but the Gunderson amendment does not speak to the two major problems confronting welfare recipients who qualify for student aid: the fact that current law only requires welfare officials to disregard title IV student in calculating AFDC benefits, and the fact that student aid programs allow a higher standard for living costs, which gives rise in the welfare official's eyes to excess income that can be used to reduce AFDC eligibility.

To remedy these problems, Congress would have to take two highly unusual actions. It would have to extend its legislative reach beyond the federal arena and require welfare officials to disregard state and ins itutional as well as federal student aid. It would also have to require that welfare

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[9]H.R. 3700, 99th Congress, 1st session, approved by the House of Representatives Dec. 5, 1985.

recipients attending school be allowed to live at the student aid system's living standard, rather than at the lower welfare living standard. Tackling such difficult jurisdictional and equity issues would demand far greater political interest in solving the student aid/welfare problem than currently exists.

To date, the Senate has not addressed at all the question of student aid/welfare interaction in its version of the reauthorization bill, which has been approved by the Subcommittee on Education and its parent Labor and Human Resources Committee and now awaits floor action and then a conference with the House to work out differences in the legislation each body has passed. Senate committees are reluctant to legislate in areas not under their jurisdiction, and the Labor and Human Resources Committee does not have direct responsibility for AFDC and for Food Stamps, which fall under the Finance and Agriculture Committees, respectively. Amendment during Senate floor debate seems unlikely.

Moreover, the House-passed amendment appears to be a mixed blessing. It would prohibit the counting of title IV student aid as income under "any other program funded in whole or in part with Federal funds," which would extend its reach beyond the Social Security programs (including AFDC) to other programs like Food Stamps. It would also clarify that all title IV student aid programs are meant to be disregarded, which would eliminate any remaining battles at the state and local level over how to treat College Work-Study and State Student Incentive Grants. But it is narrower than current law in specifying that only the portion of title IV student aid used to pay tuition and fees (as defined in the amendment to include books, supplies, transportation, etc.) is to be disregarded as income, rather than all title IV assistance. This leaves the major contradiction between student aid and

welfare policy, the different standards they use to determine appropriate living expenses, untouched.

In practical terms, this latter point may not worsen the situation now faced by most individuals receiving both student aid and AFDC, and the benefits of extending the law's reach to Food Stamps might make the amendment valuable. In a state like Wisconsin, however, where a formal agreement has been worked out between the welfare and student aid communities to minimize the chance that students will find their AFDC reduced if they receive student aid, the narrower language of the Gunderson amendment may interfere with arrangements that are already in place.

Several Senate staff members have talked about putting the student aid/welfare problem aside until the complicated task of reauthorizing the Higher Education Act is completed. At that point, the education subcommittee might consider holding hearings or requesting a General Accounting Office study, looking both at ways to resolve the contradictions imbedded in current student aid and welfare policy and at why even the limited provision enacted in 1968 has been ignored so often. Given the difficulty of crafting legislative remedies for these contradictions, it may be that the most constructive role for Congress at this point is to highlight the problems of student aid/welfare interaction by exercising its oversight and investigatory prerogatives rather than by seeking legislative relief.

COPING WITH THE COSTS: HOW ADULTS PAY THEIR COLLEGE EXPENSES

by

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Coping with the Costs:

How Adults Pay Their College Expenses

The financial concerns of college students, especially of adult college students, have been much in the news during the past year. The U.S. House of Representatives Subcommittee on Postsecondary Education has held hearings on financial aid. Various legislative proposals have been made for expanding the types of aid available to nontraditional students, as well as for decreasing aid as part of deficit reduction efforts. Interest in students' financial arrangements for attending college has caused many policy makers, adult educators, and financial aid professionals to ask what we really know about how nontraditional students finance their college education.

Not surprisingly, most studies of how students finance their college education have focused on traditional-aged students who are full time and dependent on their parents. The American Council on Education has recently studied how low and middle income families pay for their children's college (Miller & Hexter, 1985a; Miller & Hexter, 1985b). Higgins (1984) studied the relationship between knowledge of financial aid opportunities and traditional-aged students' college attendance. Gillespie & Carlson (1983) have explored trends in aid to full-time students over the last twenty years. Realizing that not enough is known on this topic even about traditional-aged students, the U.S. Education Department recently announced plans to survey 70,000 students about how they pay for college ("U.S. to Survey College Students," 1985).

Few studies of how students finance their education have featured the older or nontraditional student. A publication issued by the College Board and the College of New Rochelle (1983) suggested that adult students finance their college expenses differently than do traditional-aged students. The

report contains a table of students' methods of payment derived from several sources, some unpublished. This information reveals that 62% of adult students rely primarily on themselves or their families for funding, compared to only 50% of traditional-aged students. According to this publication's figures, only 18% of adults receive public funding and approximately 22% rely on support from their employers. Adult students were defined in the study as students 25 years and over and included degreed adults continuing their education, as well as those actually pursuing a degree. Unfortunately, the categories of support (employer, self, public funding, etc.) were not mutually exclusive nor thoroughly defined. For instance, it was not clear whether support from "employer" referred to tuition reimbursement an adult might have received from an employer or to wages/salary earned from an employer--or both. No major published studies were found that had surveyed degree-seeking adult students directly about the sources they used to meet college costs, except for studies of specific groups like veteran graduate students (Baggett & Jones, 1974) or married students (Bergen, Bergen & Meisner, 1977).

In spite of the absence of data on how adult students are financing college, there is no lack of data showing that financial concerns are important to them. One recent study conducted by the Opinion Research Corporation revealed that 67% of potential adult students believed they would not be able to attend college without financial aid or loans (cited in "40 Pct. of Adults Want Further Education," 1985). And financial concerns are frequently expressed by adults who have dropped or "stopped" out of college (e.g., Davila, 1985; Mishler, 1983.) The well-documented importance of finances to adult students has led Apps (1981), a noted authority on adult education, to conclude that more adults would attend college full-time were more aid available. Arbeiter (1979) has suggested that some adults would use loan money extensively if it were more readily available. Melecki (1984) has

described new issues the presence of adult students has created for the financial aid administrator. There have also been calls for better treatment of adult students in dissemination of financial aid information and in revamping nontraditional students' eligibility for financial aid (e.g., AAUW Public Policy Department, 1985; "Coalition Seeks More Aid," 1985).

Considering the importance of finances to adult students and the lack of data about their current means of support for college, there seems to be a need for research on how adults, particularly those seeking a degree, cope with the cost of their college expenses. What sources do they use? What is their reliance on loans, college-based financial aid, employer tuition aid, and on their spouses? What impact—if any—does their financial situation have on the rate at which they are pursuing a degree? These are a few of the questions addressed by the present study conducted by the Wisconsin Assessment Center (WAC), a University of Wisconsin System resource center that conducts studies of adult students.

Method

Participants

University of Wisconsin campuses at Eau Claire, River Falls, Milwaukee and Madison, and all 13 two-year campuses of the UW Center System participated in this study. A staff member at each institution was asked to select a random sample of approximately 150 adult degree-seeking undergraduates from the population of students who were 25 or more years of age as of September 1, 1985. Students enrolled in the Fall 1985 term, whose records indicated status as matriculated undergraduates, were selected for the sample. Only U.S. citizens were included. Each institution provided the Wisconsin Assessment Center with a list of its student sample and sets of address labels for a mail survey.

Instrument

The Student Financial Support Survey was developed by WAC staff for this study. The three-page questionnaire contains both closed and open-ended items which elicit information on:

a. sources used to finance course work and related expenses - tuition, books, supplies, fees, child care, transportation - for the current term

b. reliance upon loans

c. preferences regarding information on sources of financial aid

d. personal background (e.g., sex, marital status, employment status, and gross annual family income)

A pilot version of the Student Financial Support Survey was completed by 84 adult students enrolled in several classes at UW-Green Bay. Accompanying the survey was a critique form which asked respondents to comment on items they found unclear or difficult to answer and instructions which were confusing. This information and their suggestions on how to improve the items were used to make modifications before the survey was used in this study. Also, the items were reviewed by financial aid officers and representatives from participating campuses.

Procedure

A copy of the survey, together with a cover letter and postpaid return envelope, was mailed to each adult in the sample in early November, 1985. Individuals who did not respond were sent a second letter and questionnaire in early December. A third letter and questionnaire were mailed to all remaining nonrespondents in early January, 1986.

Response Rate

A total of 560 (73%) of the 764 adult students surveyed returned completed questionnaires that could be used in the data analyses. Response rates for the individual institutions ranged from 66% to 81%.

Results

Characteristics of the Respondents

Several items on the Student Financial Support Survey asked respondents to provide general descriptive and background information about themselves. The results for these items are reported in Table 1. Approximately two thirds (62%) of the respondents were women. Almost three quarters (74%) of the adult students were under 35 years of age. Most often the respondents were married and had children or were single without children. The respondents were fairly evenly divided across the freshman, sophomore, junior, and senior classes. About half (48%) were full-time students taking 12 or more credits. A majority (61%) were employed outside the home, with 27% working full time. All family income levels, from less than $5,000 to more than $35,000, were represented. The majority (59%) had applied for financial aid at some time at the UW campus they were attending.

Sources of Financial Support

One of the principal items on the survey asked the adult students to indicate which of 11 different sources they were using to pay for course work and related expenses—tuition, books, supplies, fees, child care, transportation—during the Fall 1985 term. They were instructed to check all sources that were used. The largest number of adults (40%) checked two sources. Three sources were checked by 27% and 17% checked only one source. Sixteen percent checked from four up to six sources. Respondents were also asked to identify the one source of money that was their "most important." The percent of adults checking each source is reported in Table 2.

A majority (57%) of adults indicated that income from their off-campus employment was a source of financial support. Almost one third (29%) of all respondents designated their off-campus employment as the most important

TABLE 1

Characteristics of the Respondents (N=560)

Characteristics	%
Sex	
Female	62
Male	38
Age	
25-29	44
30-34	30
35-39	14
40-44	6
45 or older	6
Marital Status	
Married, with children	40
Married, no children	12
Not married, with children	14
Not married, no children	34
Classification	
Freshman	19
Sophomore	25
Junior	20
Senior	31
Special	5
Credit Load	
3 or less	14
4-6	17
7-11	21
12-15	36
16-18	11
19 or more	1
Employment Status	
Employed full time	27
Employed less than 35 hours/week	34
Full-time homemaker	12
Not employed	27
Gross Annual Family Income ($)	
Less than $5,000	18
5,000- 9,999	17
10,000-14,999	10
15,000-24,999	24
25,000-34,999	17
35,000 or more	13
Applied for Financial Aid	
Never	40
This year only	16
Previous year(s) only	13
This year and previous year(s)	30

TABLE 2

Adult Undergraduates' Use of Sources to Finance Course Work and Related Expenses (N=560)

Source	% Using Source[a]	% Designating Source Most Important[b]
Personal off-campus employment	57	29
Personal or family savings	44	11
Student loan	36	17
Spouse's employment	34	12
College grants or scholarships, (e.g., Pell, WHEG, SEOG, etc.)	31	15
Other government support (e.g., Social Security, Department of Vocational Rehabilitation, Bureau of Indian Affairs, Veterans)	14	7
Contributions from parents or relatives	10	3
Employer tuition-aid plans	8	5
On-campus job	8	1
Grants or scholarships from private sources (e.g., community, fraternal or religious groups)	4	0

Note. Students responded for Fall 1985 term

[a] Students could check all that apply.

[b] Only one source could be checked.

source. Personal or family savings were used by 44 percent to pay college expenses, but only 11% indicated that it was their most important source. About one out of three adults used a student loan (36%), income from their spouse's employment (34%), and/or college grants/scholarships (31%) to cover the cost of tuition and related expenses. Student loans were the second most frequently (17%) identified "most important" source.

One in seven (14%) adults reported using other government support such as Social Security, Department of Vocational Rehabilitation, Bureau of Indian Affairs, or Veterans Administration funds. Half as many (7%) said this was their one most important source. Only one in ten adults obtained contributions from parents or relatives for college-related expenses. Employer-sponsored tuition aid plans were a source of money for college expenses for 8% of the adults. Few rated contributions from parents or relatives (3%) or employer tuition-aid plans (5%) as most important.

Just 4% obtained a grant or scholarship from a private source such as a community, fraternal, or religious group. The fact that no one designated this as the most important source of finances suggests that the dollar amounts received from these groups are relatively small supplementary amounts.

Borrowing to Pay Expenses

All adult students were asked to report the total amount they had borrowed (including loans already paid off) to pay for course work and related expenses for the degree they were pursuing. Respondents who had not obtained loans to finance their studies were instructed to indicate that fact. The dollar amounts borrowed by respondents are reported in Table 3. Almost half (46%) of all the adults had never borrowed to pay for college-related expenses at the time of the survey. However, almost one out of four (23%) had borrowed $5,000 or more.

TABLE 3

Amount Borrowed to Pay for Course Work and Related Expenses (N=560)

Dollar Amount	%
No loans	46
Less than 1000	5
1000-1999	6
2000-2999	11
3000-3999	5
4000-4999	4
5000-5999	9
6000-9999	9
10,000-14,999	4
15,000 or more	1

Note. Amounts reported were for time from enrollment through Fall 1985 term.

Table 4 provides additional information on individuals who have borrowed $5,000 or more, as well as those who have not borrowed. Only one third (34%) of the seniors had avoided borrowing to pay for their college education. While few freshmen (5%) and sophomores (11%) understandably have incurred large debts, for juniors and seniors that portion increases substantially to 35% and 39% respectively. Respondents who were not married were more likely than married respondents to borrow money for course work and related expenses.

A majority of adults employed full time outside the home or as a homemaker had not borrowed for their college education. Adults who were not employed or worked part time (less than 35 hours per week) were more likely to borrow and

borrow large amounts ($5,000 or more). As might be expected, respondents with lower family incomes were more likely to borrow, particularly large sums, to finance their college studies.

Financial Resources and Credit Load

When asked if financial resources influenced the number of credits they were taking, 50 percent of the adult students answered yes. A total of 249 individuals wrote comments in response to this question. Their comments were content analyzed, and eight themes directly related to the question emerged. Table 5 lists these themes and the percentage of comments classifed under each. The most frequent comment students made was that their financial situation forces them to work full or part-time and, therefore, prohibits taking a heavier credit load. Their need to work was sometimes related to their family responsibilities. As one adult said: "I have to work to support my family - if not, I'd take out a loan and go full-time." Another frequent comment, made by about one in six adults (18%), simply stated that they were forced to take fewer credits than they would like to because of their financial situation. Some students (10%) said they only take as many credits each term as their personal budget will allow.

On the other hand, others (10%) have found themselves taking heavier course loads than they would like each term in order to finish their degrees as soon as possible and with less expense. As one student put it: "I have to graduate before I run out of money--therefore, I'm dancing as fast as I can." Another nine percent reported that they were forced to take 12 or more credits each term to qualify for aid or defer repayment of education loans. Several comments in this category had the flavor of one student who maintained a full-time credit load of 12 credits to avoid immediate repayment of a GSL: "... so I keep 12 but I also work 32 hours per week and would really like to take about 8 or 9 credits but I can't afford GSL payments."

TABLE 4

Amount Borrowed for College Expenses by Classification, Family Status, Income, and Employment Status

Characteristic	Total Amount Borrowed $5000+	$4999 or less	$0	n
Sex				
Male	28	29	43	212
Female	20	33	47	348
Classification				
Freshmen	5	38	57	105
Sophomores	11	31	58	138
Juniors	35	33	32	112
Seniors	39	27	34	175
Family Status				
Married, with children	14	27	59	221
Married, no children	24	30	46	67
Not married, with children	31	44	25	80
Not married, no children	30	31	38	191
Gross Annual Family Income				
Less than $5,000	45	37	17	99
$5,000-$9,999	29	47	24	93
$10,000-$14,999	29	30	41	56
$15,000-$24,999	20	33	47	133
$25,000-$34,999	11	23	66	94
$35,000 or more	4	11	85	74
Employment Status				
Employed full time	10	26	64	150
Employed part time	35	33	32	189
Full-time homemaker	20	23	56	64
Not employed	23	38	39	147

Note. Table entries are percentages.

TABLE 5

Themes of Comments Concerning How Financial Resources Influence Credit Load

Influence on Credit Load	% of Comments (N=249)
Need to work full or part-time prohibits greater credit load	31
Financial situation forces taking fewer credits than would like to	18
Can only take as many credits each semester as can be financially afforded	10
Must take 12+ credits each term to qualify for aid or to defer loan repayment	10
Must take heavier work load each term to finish as soon as possible/with less expense	10
Tuition reimbursement policy of employer governs credit load	3
Lack of financial resources has or will force stop out(s)	2
Grant allows heavier credit load than could otherwise be afforded	2
Other related responses	14

Financial Aid Information Preferences

All adult students were asked to rate their personal knowledge of financial aid opportunities on their campus as either "adequate" or "inadequate." About half (53%) rated their knowledge as inadequate, while 47% rated their knowledge as adequate. Each respondent also was given a list of types of financial support and asked to indicate all those about which more information was desired. Their responses are summarized in Table 6.

Approximately one out of six (16%) answered "none," but there was a high level of interest in several types of support, particularly grants or scholarships from private sources (71%) and campus-based financial aid programs (38%). About one quarter of the respondents indicated their interest in learning more about employer-sponsored tuition aid plans (29%) and long-term loans (27%). Relatively few (12%) said they would like to be more informed about short-term (90 days or less) loans.

TABLE 6

Interest in More Information About Types of Financial Aid

Type of Financial Support	% Wanting More Information (N=560)
Grants or scholarships from private sources	71
Campus-based financial aid programs	38
Employer-sponsored tuition-aid plans	29
Long-term loans	27
Short-term loans (90 days or less)	12
None	16

Note. Respondents could check as many types of financial support as applied.

The adults were also asked to check the two methods, from a list of ten, by which they would most prefer to get information on financial aid opportunities. Table 7 reports these results. The most preferred (48%) was through mail from the university. Other preferred channels were the financial aid office (40%), the adult services office (29%), and the university catalog (19%). There was little interest in information channels such as classroom announcements, campus bulletin boards, and student and community newspapers.

TABLE 7

Preference for Method of Receiving Information
About Financial Aid Opportunities (N=560)

Method	% Preferring
Mail from the university	48
Financial aid office	40
Adult services office	29
University catalog	19
Short workshops	7
Student newspaper	4
Classroom announcements	2
Campus bulletin boards	2
Community newspapers	2
Graduate office	2
No need for information	19

Note. Respondents could check only two sources.

Discussion

This study sought to explore the sources upon which degree-seeking adult students rely in paying for college tuition and related expenses, including books, supplies, fees, child care, and transportation. As such, it is broader than a study of adult students' reliance upon financial aid. The findings should be of interest to and have implications for financial aid administrators, as well as other university personnel who work with adult students.

It is apparent that adult students draw up on a variety of sources to finance their college educations, and no one source is overwhelmingly identified as most important. Many adults are quite self-reliant. That is, 53% designate earnings from their own or their spouse's employment, and/or personnel or family savings, as their single most important source of funds for college. For the remaining 47%, college costs are off-set principally by financial aid in the form of loans, grants, scholarships, and contributions from parents and relatives. Since no previous research on this specific topic was located, it is difficult to interpret these data and discuss possible policy implications. Nevertheless, the results do add to the knowledge base that Stampen (1984) believes must be improved if student aid advocates are to have any effect on financial aid policy decisions. This information on adult students will complement data being collected for the U.S. Education Department's study of how traditional-aged students are paying for college ("U.S. to Survey College Students," 1985).

Debts incurred by the adult students were not as heavy as we expected they might be. About half the adults had not assumed education loans. Among those who had borrowed, the majority borrowed less than $5,000. Those with larger debts of $5,000 or more were unsurprisingly further along in their degree work (junior or senior standing), not married, employed part-time, and reported a

relatively low gross family income. There was no significant difference in the patterns of borrowing for men and women. Writing on the market for adult education loans, Arbeiter (1979) noted the lack of evidence that low-income adults will borrow to finance their education. In this study, those most likely to borrow were individuals with gross family incomes below $10,000.

Financial resources affected the credit loads of half the adults. The responses of a large number of adults support Apps' (1981) statement that if financial aid were more readily available to them, many adults now studying part-time because of their financial situations would attend full-time. Also apparent from the results of this study is the large group of adults who are forced to take a heavier credit load than they would like. Some must take 12 or more credits in order to qualify for the financial aid necessary to attend at all. As financial aid policies are forged, the diverse needs and circumstances of adults should be recognized and addressed.

Most adult students indicated some interest in learning more about various types of financial aid. Receiving information by mail is the most appealing method, perhaps because of the busy schedules of adult students. This may reassure university personnel who have used or are considering use of a direct mail approach to disseminating information on financial aid. Many adults do want this information. Financial aid may be, in the words of Ronald Pollack, financial aid director of the College of New Rochelle, a "silent mechanism" for attracting students ("Colleges Making Aid," 1986).

Adults most often reported being interested in information about grants and scholarships from private sources. But this study revealed that only 4% of adults were using this form of support, and no adult designated it as the most important source. Students may be overestimating the potential of these sources for providing financial support.

The increasing population of adult students on many college campuses brings with it a challenge to find new and creative ways to help nontraditional or older students finance their educations. Further research on how adults are paying for college would provide valuable information for several types of activities, ranging from the development of government policies on financial aid for adults to counseling individual adults on ways of overcoming financial barriers in returning to college.

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The New York State Aid for Part-Time Study Program: A Progress Report

New York State
Higher Education
Services Corporation

Dolores E. Cross, President

The New York State Aid for Part-Time Study Program: A Progress Report

New York State Higher
Education Services Corporation
Research Division
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Table of Contents

	Page
Summary of Findings	2
Recommendations	4
Introduction	5
The Aid for Part-Time Study (APTS) Program	5
NYSHESC APTS Institutional Survey Preliminary Findings	6
NYSHESC APTS Institutional Survey Participation	6
Aid for Part-Time Study (APTS) Program Evaluation by Schools	7
Operational Problems	8
APTS Recipient Selection Criteria Established by Institutions	9
NYSHESC APTS Institutional Survey Responses	9
APTS Program Summary Statistics	9
Description of Students Not Maintaining Cumulative Passing Averages	20
Use of Guaranteed Student Loans by APTS Applicants	22
Background Demographics on Part-Time Undergraduates in New York State	24
Related Readings	38
Appendix A: Previous NYSHESC Research on Part-Time Students	39
Appendix B: Allocations, Award Totals, Numbers of Recipients, and Average Awards for Aid for Part-Time Study (APTS) Program by School, 1984-85	43
Appendix C: Draft Legislative Proposal	50

Summary of Findings

1. Among the students selected for Aid for Part-Time Study (APTS) awards in 1984-85, there was a strong relationship between income and academic performance. APTS recipients who were decertified for not maintaining cumulative passing averages had lower net taxable incomes than those who did satisfactorily maintain their averages. Almost sixty percent of the students decertified for not achieving a passing average had net taxable incomes of $5,000 or less, as compared to 44% of those who did maintain the required averages. Having schools assume the tuition liability for students who do not achieve a cumulative passing average in a term may counter the program's intent to serve students with the most financial need by encouraging schools to select students with higher GPAs to avoid tuition liability.

2. More schools used a minimum GPA as a requirement for awarding the APTS funds than used financial need as a criterion in distributing the awards.

3. Of the 202 eligible institutions, 178 schools (88%) applied to participate in the APTS program in 1984-85. Of these, 149 (74% of all those eligible) made awards for the 1984-85 school year.

4. Schools made awards totalling $3.1 million or 28% of the $11 million appropriated. Public sector institutions spent 21% of their allocations as compared to the independent sector institutions expenditure of 46%. Only nine participating institutions expended their entire allocations in 1984-85.

5. Awards were reimbursed for eighty-one percent (5,911) of the students selected by the schools. Eight percent (548) were decertified for not maintaining cumulative passing averages and 12% (870) were decertified for other reasons.

6. Three-fourths of the APTS recipients had net taxable incomes below $10,000 and 21% had zero net taxable incomes.

7. APTS recipients were older (mean of 31 years) than undergraduate TAP recipients (mean of 23 years) and had a higher financial independence rate (88%) as compared to the undergraduate TAP rate (27%).

8. One fifth (20%) of APTS applicants also had Guaranteed Student Loans. Those who borrowed had higher incomes ($6,592 vs. $5,918 net taxable incomes).

9. Nearly all (97%) of the schools that responded to the New York State Higher Education Services Corporation (NYSHESC) APTS Institutional Survey question on the need for the APTS program believed it is necessary. However, 96% of these respondents also believed that modifications to the program are needed.

10. The most frequently cited operational problems reported in the NYSHESC APTS Institutional Survey were:

    Tuition liability (77%)
    21-day deadline (70%)
    Not enough applicants (56%)

11. Reasons for the low program utilization are believed to be (from the NYSHESC APTS Institutional Survey):

    Income ceilings that are too low (42%)
    Student lack of knowledge (35%)
    Lack of prepayment to schools (34%)

NYSHESC
10/85

Recommendations

1. Current law prohibits payment of APTS awards to students who do not achieve a cumulative passing average for the term and prohibits schools from collecting tuition from such students. We recommend that the legislation be amended to allow schools to be reimbursed for all APTS awards, regardless of recipients' academic performance during the terms in which they receive awards. Students failing to maintain good academic standing in a term would be ineligible for future awards.

2. Current law provides too brief a period (21 days from the beginning of the term) for schools to select and certify students to the Corporation. The 21-day reporting requirement should be changed to apply from the end of the school's designated drop/add period rather than from the start of the term.

3. The law should be amended to authorize specifically the President of NYSHESC to make prepayments of school allocations at the beginning of a term and to collect refunds from schools in the case of miscertification. Currently, schools must wait until well after a term is complete before they receive payment.

4. Change the definition of part-time study to read at least 6 but less than 12 semester hours, rather than the current reference to "but less than 11 semester hours."

5. Allow CUNY and SUNY to redistribute unused APTS allocations from the originally specified CUNY and SUNY institutions to other institutions within their respective university systems.

Consideration might also be given to:

1. Expanding APTS eligibility to include those individuals who have not completed six credits of coursework.

2. Raising the current income ceilings to expand eligibility.

3. Providing for the reporting of data regarding eligible students, namely the number of students who are in degree programs, have accumulated six credits, and were enrolled in the previous year for at least six but less than twelve credits. Such data is necessary to determine to what extent the allocation of funds matches the distribution of eligible students among institutions.

Appendix C of this report contains a draft legislative proposal for changes to the APTS program.

NYSHESC
10/85

Introduction

The proportion of part-time students in this country receiving state grants is small but it is increasing. Data from a 1982-83 survey conducted by the American Council on Education indicated that nationally only 1% of recipients of state grant aid were part-time students. Less than 0.5% of state grant dollars went to part-time attendees. By 1984-85, a national survey by the National Association of State Scholarship and Grant Programs found that part-time students comprised 2% of state grant recipients and received 1.8% of state grant dollars.

This increasing share of state grants received by part-time students reflects a new concern for part-time students, the group that has shown the most rapid growth in enrollments in the past decade. Between 1972 and 1982, part-time undergraduate enrollments in New York State increased by 30%, as compared with a 20% growth among full-time undergraduates. Since 1982, full-time enrollments have decreased slightly, while part-time undergraduate enrollments have shown a small increase. In 1984, part-time students constituted nearly one-third of the total undergraduate degree-credit enrollments in the state.

Because of the continuous upward shift in the age distribution of New York State's population, the number of part-time students in our state is expected to remain at around a quarter of a million annually through the year 2000 while full-time enrollments are expected to decrease. Older students tend to pursue part-time study because of career and family responsibilities.

The Aid for Part-Time Study (APTS) Program

On May 16, 1984, Governor Cuomo signed into law a new student financial aid program that provides tuition assistance for part-time undergraduates enrolled in degree programs in New York State. The program is known as the Aid for Part-Time Study (APTS) program. Establishment of an aid program for part-time students reflected New York's recognition of the growing number of students pursuing postsecondary education on a part-time basis and the financial need of these students. Eleven million dollars was provided for the new program for the 1984-85 school year.

The state's part-time assistance program has the following characteristics:

- Degree-granting institutions offering undergraduate programs in which students may enroll part time are eligible to apply for participation each year.

- To qualify, a student must already have earned at least 6 semester-hours of credit or the equivalent. The student must be enrolled for from 6 to 11 semester-hours per academic term or the equivalent.

- The student must apply for a federal Pell grant.

- The student must be within income eligibility limits: $22,000 (state net taxable income) for dependent students and $15,000 for independent students.

- The program provides grants of up to $2,000 per year for tuition costs. The grant is paid by term and cannot exceed $1,000 for a semester (or tuition, whichever is less).

- The program is campus-based. Recipients are selected by participating institutions and awards made directly by the institutions.

- The amount of funds allocated to a participating institution is determined by that school's percentage of the total part-time enrollments at all participating institutions during the previous academic year.

- Recipients are provided with tuition waivers by the institutions. NYSHESC pays the schools at the end of the academic term for waivers allowed to students who achieve cumulative passing averages for the term. If recipients do not achieve cumulative passing averages for that term, awards are not paid by HESC for those students and the institutions assume the tuition liability.

NYSHESC APTS Institutional Survey Preliminary Findings

In the spring of 1985, the New York State Higher Education Services Corporation (NYSHESC) conducted a mail survey of institutions eligible to participate in the new APTS program. The survey instrument was designed to allow an assessment of administrative aspects of the program. A discussion of the survey findings follows.

NYSHESC APTS Institutional Survey Participation

202 schools were eligible to participate in the APTS program. Of these:

o 178 (38%) applied to participate in the program.

- o 158 (89%) of the schools that applied to participate in the program returned their NYSHESC APTS Institutional Survey questionnaires.

- o Of those returning the survey questionnaires,

  - 118 (75%) issued Fall 1984 awards.

  - 133 (86%) issued Spring 1985 awards.

- o Intent to participate in the APTS program during 1985-86 was high in all sectors (see Table 22 on page 34). The weakest level of intent to continue participation was found in the proprietary sector. Schools in the proprietary sector were also the ones most likely to report not issuing Fall APTS awards after initially agreeing to take part in the program. This was also the sector least likely to be concerned over administrative problems such as tuition liability and the 21-day deadline.

Aid for Part-Time Study (APTS) Program Evaluation by Schools

Of the 152 schools that responded to the NYSHESC APTS Institutional Survey item on the necessity of the APTS program and need for modifications (see Table 21 on page 33):

- o 148 (97%) believed the APTS program to be needed. 4 (3%) did not consider the program necessary. Of the 148 that did consider it necessary,

- o 6 (4%) believed the program was satisfactory in its 1984-85 form. Eighty-two (55% of 148) believed major modifications were needed. Sixty (41% of 148) believed minor modifications were needed.

- o 128 (82%) of the schools responding to the APTS Institutional Survey item on future participation stated that they would continue to participate in APTS if it remained in its 1984-85 form (see Table 22). The vast majority, however, indicated that the program should be modified. An additional 12% of the responding schools in the program expressed a willingness to continue to participate if changes were made.

Operational Problems

Administrative difficulties during the first year of the APTS program were reported by the respondents as follows:

o Tuition liability (77%) (Table 23, Page 35)

If an APTS recipient does not receive a cumulative passing average for the applicable term, the institution assumes the tuition liability. The tuition liability issue, while of great concern to respondents from all sectors, was cited by 96% of those from the SUNY 2-year sector.

o 21-day deadline (70%) (Table 23, Page 35)

Participating institutions must submit eligiblility rosters to NYSHESC 21 days after the start of each term. All of the CUNY 4-year sector respondents considered the 21-day deadline too short. This item was also of great concern across sectors.

o Not enough applicants (56%) (Table 23, Page 35)

The APTS Program was initiated during the summer of 1984. This may have been too late for the program to affect the Fall 1984 college plans of many students. A general lack of applicants was indicated as an administrative problem more often by respondents from SUNY 2-year colleges than by those from the other sectors.

Several reasons have been suggested for the low utilization of the appropriated funds. Two of these are the income ceilings and student lack of knowledge about the program.

o Income ceilings too low (42%) (Table 24, Page 36)

For independent students: $15,000 (44%)

For dependent students: $22,000 (30%)

o Student lack of knowledge (35%) (Table 25, Page 37)

Many administrators felt that students did not learn about the APTS Program in time to apply or did not understand the program well enough to realize that they might be eligible. Students not knowing about APTS was cited as a problem most often by CUNY 4-year survey respondents.

o Lack of prepayment to schools (34%) (Table 25, Page 37)

Schools most likely to cite lack of prepayment as a problem were those in the SUNY 2-Year sector.

APTS Recipient Selection Criteria Established by Institutions

o Minimum GPA (53%)

More than half of the responding schools indicated that they required a minimum grade-point average of students being considered for APTS awards. The most commonly required minimum GPA was 2.0. The major reason for the imposition of minimum GPA requirements was concern about the tuition liability issue.

Among 53 schools that reported using additional criteria to GPA, the most commonly used criterion was that of financial need. Two-thirds of the schools reported that they were able to make awards to all the applicants who qualified under criteria allowed within the legislation and as established by the school. (Note: The survey item applied only to applicants, not to all potentially eligible students. Furthermore, in some of these cases the school did report using criteria in addition to those in the legislation to screen applicants.)

NYSHESC APTS Institutional Survey Responses

On pages 33-37, Tables 21-25 show institutional responses by sector to various survey items.

APTS Program Summary Statistics

Data was available on 7,329 students selected by the schools for awards under the APTS program for the 1984-85 academic year. This number does not include any students whose applications were not approved at the campus level.

Of the 7,329 students selected by the schools for awards, 5,911 students or 80.7% were certified for APTS payments; 548 or 7.5% were decertified for not maintaining cumulative passing averages and 870 students (11.9%) were decertified for reasons other than not having cumulative passing averages. In 1984-85, participating schools incurred tuition liability of $260,096 for awards made to students who did not receive cumulative passing averages.

The average net taxable income of the 5,911 students who qualified for APTS award payments was $6,200. Incomes of the students decertified for not having cumulative passing averages showed a mean of $4,760. Students decertified for other reasons had an average income of $5,881.

The APTS program was used by a decidedly adult population during 1984-85. The average age (31) and extremely high (nearly 90%) rate of financial independence among the recipients showed that the part-time undergraduate aid recipient was quite different from the traditional full-time undergraduate Tuition Assistance Program (TAP) recipient.

The income distribution figures from the program recipient file (Table 1) indicate that the program served a predominantly low-income population. More than three-quarters of the APTS recipients had incomes of $10,000 or less. About one-fifth of the recipients had zero net taxable incomes.

Tables 1-5 present the income, age, financial status, and sector distributions of APTS program recipients and the sector distribution of APTS funds. Tables 6-8 show the income distribution by sector and level, award statistics by sector and income category, and student average age and percentage of financially independent students in each sector and income category.

Aid for Part-Time Study (APTS) 1984-85 Data

Table 1

Income Distribution

Income Category	Number of Cases	Percent of Total	Cumulative Percent
$ 0	1,209	20.5%	20.5%
$ 1- 5,000	1,363	23.1%	43.5%
$ 5,001-10,000	1,896	32.1%	75.6%
$10,001-15,000	1,296	21.9%	97.5%
$15,001-22,000	147	2.5%	100.0%
TOTAL	5,911	100.1%	100.0%

Percentages may not total exactly 100% due to rounding.

Table 2

Age Distribution

Age Category (In Years)	Number of Cases	Percent of Total	Cumulative Percent
15-19	144	2.4%	2.4%
20-24	1,570	26.6%	29.0%
25-29	1,402	23.7%	52.7%
30-34	1,075	18.2%	70.9%
35-44	1,247	21.1%	92.0%
45-59	432	7.3%	99.3%
60 and up	39	.7%	100.0%
TOTAL	5,909	100.0%	100.0%

Missing cases = 2

Source: NYSHESC Research Division, APTS Student Mirror File as of 09/27/85.

Aid for Part-Time Study (APTS) 1984-85 Data

Table 3

Financial Status Distribution

Financial Status	Number of Cases	Percent of Total
Independent	5,190	87.8%
Dependent	720	12.2%
TOTAL	5,910	100.0%

Missing cases = 1

Table 4

Sector Distribution of Award Recipients

Sector	Number of Cases	Percent of Total
CUNY 4-Year	987	16.7%
CUNY 2-Year	682	11.5%
Total CUNY	1,669	28.2%
SUNY 4-Year	583	9.9%
SUNY 2-Year	1,983	33.6%
Total SUNY	2,566	43.5%
Independent Non-Profit 4-Year	1,406	23.8%
Independent Non-Profit 2-Year	140	2.4%
Total Independent Non-Profit	1,546	26.2%
Degree Proprietary	127	2.1%
TOTAL	5,908	100.0%

Missing cases = 3*

* Three students who received APTS awards in more than one sector during the year were excluded from the table.

Source: NYSHESC Research Division, APTS Student Mirror File as of 09/27/85.

Table 5

Sector Distribution of APTS Funds

Sector	Allocation	Percent of Total
CUNY 4-Year	$ 1,687,966	15.4%
CUNY 2-Year	927,997	8.4%
Total CUNY	$ 2,615,963	23.8%
SUNY 4-Year	$ 1,388,822	12.6%
SUNY 2-Year	3,865,669	35.0%
Total SUNY	$ 5,254,491	47.7%
Independent Non-Profit 4-Year	$ 2,734,039	24.9%
Independent Non-Profit 2-Year	111,944	1.0%
Total Independent Non-Profit	$ 2,845,983	25.9%
Degree Proprietary	$ 283,363	2.6%
TOTAL	$10,999,800	100.0%

Sector	Allocation	Amount Awarded	% Spent	Average Award
CUNY 4-Year	$ 1,687,966	422,939.45	25.1%	$429
CUNY 2-Year	927,997	271,328.73	29.2%	398
Total CUNY	$ 2,615,963	694,268.18	26.5%	$416
SUNY 4-Year	$ 1,388,822	238,973.47	17.2%	$410
SUNY 2-Year	3,865,669	779,458.91	20.2%	393
Total SUNY	$ 5,254,491	1,018,432.38	19.4%	$397
Indep. 4-Year	$ 2,734,039	1,220,016.06	44.6%	$868
Indep. 2-Year	111,944	75,103	67.1%	536
Total Indep.	$ 2,845,983	1,295,119.06	45.5%	$838
Degree Prop.	$ 283,363	91,392.94	32.3%	$720
TOTAL	$10,999,800	3,099,212.56	28.2%	$525

Source: NYSHESC Grants and Scholarship Division

Aid for Part-Time Study (APTS) 1984-85 Data

Table 6

Percent Distribution of Income Category by Sector and Level

Sector and Level

Income Category	CUNY 4-Year	CUNY 2-Year	Total CUNY
$ 0	23.2%	33.9%	27.6%
$ 1- 5,000	21.3%	22.6%	21.8%
$ 5,001-10,000	33.9%	30.6%	32.6%
$10,001-15,000	19.9%	11.7%	16.5%
$15,001-22,000	1.7%	1.2%	1.5%
TOTAL	100.0%	100.0%	100.0%
Number of Cases	987	682	1,669

Income Category	SUNY 4-Year	SUNY 2-Year	Total SUNY
$ 0	15.4%	19.5%	18.6%
$ 1- 5,000	23.8%	23.4%	23.5%
$ 5,001-10,000	31.1%	33.0%	32.6%
$10,001-15,000	27.4%	21.2%	22.6%
$15,001-22,000	2.2%	2.8%	2.7%
TOTAL	100.0%	99.9%	100.0%
Number of Cases	583	1,981	2,566

Income Category	Independent Non-Profit 4-Year	Independent Non-Profit 2-Year	Total Independent Non-Profit
$ 0	16.6%	11.4%	16.1%
$ 1- 5,000	23.7%	24.3%	23.7%
$ 5,001-10,000	29.9%	38.6%	30.7%
$10,001-15,000	26.7%	22.9%	26.3%
$15,001-22,000	3.2%	2.9%	3.2%
TOTAL	100.0%	100.1%	100.0%
Number of Cases	1,406	140	1,546

Aid for Part-Time Study (APTS) 1984-85 Data

Table 6 Continued

Percent Distribution of Income Category by Sector and Level

	Sector and Level		
Income Category*	Degree Proprietary	Number Cases All Sectors	Grand Total
$ 0	18.1%	1,209	20.5%
$ 1- 5,000	21.3%	1,362	23.1%
$ 5,001-10,000	32.3%	1,895	32.1%
$10,001-15,000	25.2%	1,295	21.9%
$15,001-22,000	3.1%	147	2.5%
TOTAL	100.0%		100.0%
Number of Cases	127	5,908	5,908

Missing cases = 3**

* Net taxable incomes

** Three students who received APTS awards in more than one sector during the year were excluded from the table.

Percentages may not total exactly 100% due to rounding.

Source: NYSHESC Research Division, APTS Student Mirror File as of 09/27/85. Net taxable incomes.

Aid for Part-Time Study (APTS) 1984-85 Data

Table 7

Award Statistics by Sector and Income Category

Sector and Income Category	Total Value of Awards	Average Award Size	Number of Awards
TOTAL	**$3,096,956**	**$524**	**5,908**
CUNY 4-Year	$ 424,420	$430	987
$ 0	95,958	419	229
$ 1- 5,000	92,237	439	210
$ 5,001-10,000	144,119	430	335
$10,001-15,000	84,282	430	196
$15,001-22,000	7,824	460	17
CUNY 2-Year	$ 269,849	$396	682
$ 0	93,773	406	231
$ 1- 5,000	61,179	397	154
$ 5,001-10,000	80,441	385	209
$10,001-15,000	30,930	387	80
$15,001-22,000	3,525	441	8
SUNY 4-Year	$ 238,208	$409	583
$ 0	37,213	413	90
$ 1- 5,000	57,810	416	139
$ 5,001-10,000	71,870	397	181
$10,001-15,000	67,144	420	160
$15,001-22,000	4,171	321	13
SUNY 2-Year	$ 778,887	$393	1,983
$ 0	150,998	390	387
$ 1- 5,000	178,679	384	465
$ 5,001-10,000	265,949	406	655
$10,001-15,000	163,040	388	420
$15,001-22,000	20,231	361	56

Aid for Part-Time Study (APTS) 1984-85 Data

Table 7 Continued

Award Statistics by Sector and Income Category

Sector and Income Category	Total Value of Awards	Average Award Size	Number of Awards
Independent Non-Profit 4-Year	$1,219,096	$867	1,406
$ 0	170,813	733	233
$ 1- 5,000	299,631	900	333
$ 5,001-10,000	366,244	872	420
$10,001-15,000	349,133	931	375
$15,001-22,000	33,275	739	45
Independent Non-Profit 2-Year	$ 75,103	$536	140
$ 0	6,288	393	16
$ 1- 5,000	19,805	583	34
$ 5,001-10,000	29,560	547	54
$10,001-15,000	17,280	540	32
$15,001-22,000	2,170	543	4
Degree Proprietary	$ 91,393	$720	127
$ 0	16,560	720	23
$ 1- 5,000	21,376	792	27
$ 5,001-10,000	28,875	704	41
$10,001-15,000	22,139	692	32
$15,001-22,000	2,443	611	4

Total cases = 5,908

Missing cases = 3*

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* Three students who received APTS awards in more than one sector during the year were excluded from the table.

Sum detail may not add to total due to rounding to nearest dollar.

Source: NYSHESC Research Division, APTS Student Mirror File as of 09/27/85.

Aid for Part-Time Study (APTS) 1984-85 Data

Table 8

Average Age and Percent Financially Independent
by Sector and Income Category

Sector and Income Category	Average Age* in Years	% Financially Independent**	Number of Cases
TOTAL	31	88%	5,906
CUNY 4-Year	31	88%	987
$ 0	31	92%	229
$ 1- 5,000	30	85%	210
$ 5,001-10,000	31	90%	335
$10,001-15,000	33	88%	196
$15,001-22,000	22	0%**	17
CUNY 2-Year	31	88%	682
$ 0	30	97%	231
$ 1- 5,000	31	89%	154
$ 5,001-10,000	32	85%	209
$10,001-15,000	33	78%	80
$15,001-22,000	22	0%**	8
SUNY 4-Year	31	90%	583
$ 0	31	93%	90
$ 1- 5,000	32	94%	139
$ 5,001-10,000	31	93%	181
$10,001-15,000	32	89%	160
$15,001-22,000	21	0%**	13
SUNY 2-Year	30	88%	1,982
$ 0	33	93%	387
$ 1- 5,000	30	93%	465
$ 5,001-10,000	30	90%	654
$10,001-15,000	30	87%	420
$15,001-22,000	21	0%**	56

* Age as of 12/31/84.

** By statute, only dependent recipient incomes could exceed $15,000.

Aid for Part-Time Study (APTS) 1984-85 Data

Table 8 Continued

Average Age and Percent Financially Independent
by Sector and Income Category

Sector and Income Category	Average Age* in Years	% Financially Independent**	Number of Cases
Independent Non-Profit 4-Year	31	86%	1,405
$ 0	32	90%	233
$ 1- 5,000	30	85%	332
$ 5,001-10,000	30	89%	420
$10,001-15,000	32	92%	375
$15,001-22,000	22	0%**	45
Independent Non-Profit 2-Year	33	93%	140
$ 0	38	100%	16
$ 1- 5,000	33	97%	34
$ 5,001-10,000	32	93%	54
$10,001-15,000	32	97%	32
$15,001-22,000	24	0%**	4
Degree Proprietary	28	84%	127
$ 0	30	91%	23
$ 1- 5,000	28	82%	27
$ 5,001-10,000	27	88%	41
$10,001-15,000	30	88%	32
$15,001-22,000	23	0%**	4

Total cases = 5,906

Missing cases = 5***

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* Age as of 12/31/84.

** By statute, only dependent recipient incomes could exceed $15,000.

*** Three students who received APTS awards in more than one sector during the year were excluded from the table. Two additional students were excluded due to questionable codes in the age field.

Source: NYSHESC Research Division, APTS Student Mirror File as of 09/27/85.

Description of Students Not Maintaining Cumulative Passing Averages

The income and sector distributions of students who were decertified differed from those of the recipients. A major concern of the participating institutions was that students who were decertified because they did not maintain cumulative passing averages for the term would not receive award payments. By statute, institutions incurred the tuition liability for such students. The income and sector distributions of these students are shown below. They represented 7.5% of the total 7,329 students selected for APTS awards.

These students tended to have lower incomes than students whose awards were reimbursed. About 60% had incomes of $5,000 or less, compared to 44% of those who received a cumulative passing average. Fully one-third of those not maintaining cumulative passing averages had zero incomes, compared to one-fifth of those who received a cumulative passing average. The tuition liability provision may diminish the program's capacity to serve the neediest students. Schools may be reluctant to select students with low GPAs for APTS awards, thereby withholding funds from low-income students. Schools are concerned about the fiscal problems that could occur when they assume the tuition costs for those students who do not achieve cumulative passing averages.

Table 9

Income Distribution of Students Not Maintaining Cumulative Passing Averages During 1984-85

Income Category	Number of Cases	Percent of Total	Cumulative Percent
$ 0	183	33.4%	33.4%
$ 1- 5,000	134	24.5%	57.9%
$ 5,001-10,000	137	25.0%	82.9%
$10,001-15,000	85	15.5%	98.4%
$15,001-22,000	9	1.6%	100.0%
TOTAL	548	100.1%	100.0%

Source: NYSHESC Research Division, APTS Student Mirror File as of 9/27/85.

Table 10

Sector Distribution of Students Not Maintaining Cumulative Passing Averages During 1984-85

Sector	Number of Cases	Percent of Total	Percent of Recipients in Sector
CUNY 4-Year	128	23.4%	9.6%
CUNY 2-Year	103	18.8%	12.3%
Total CUNY	231	42.2%	10.6%
SUNY 4-Year	33	6.0%	4.8%
SUNY 2-Year	165	30.1%	7.0%
Total SUNY	198	36.1%	6.5%
Independent Non-Profit 4-Year	106	19.3%	5.9%
Independent Non-Profit 2-Year	7	1.3%	4.3%
Total Independent Non-Profit	113	20.6%	5.7%
Degree Proprietary	6	1.1%	4.1%
TOTAL	548	100.0%	7.5%

Source: NYSHESC Research Division, APTS Student Mirror File as of 09/27/85.

Use of Guaranteed Student Loans by APTS Applicants

NYSHESC Guaranteed Student Loan (GSL) program file information on 33,525 half-time (6-11 credits) undergraduate GSL recipients was matched with the Aid for Part-Time Study (APTS) Student Mirror File of 7,329 students selected for awards. The merged file represented 39,363 part-time undergraduates.

Table 11 shows the distribution of the 39,363 part-time undergraduates among three aid packages types: APTS only, APTS & GSL, and GSL only.

Table 11

Part-Time Undergraduate Aid Package Distribution

Package Type	Number of Cases	Percent of Total
APTS Only	5,838	14.8%
APTS & GSL	1,491	3.8%
GSL Only	32,034	81.4%
TOTAL	39,363	100.0%

Source: NYSHESC Research Division, File MDATA830, APTS & GSL Data as of 08/30/85.

One-fifth (1,491) of the 7,329 students selected by schools for APTS awards also had GSLs on file. They tended to have somewhat higher incomes than the APTS applicants without GSLs. The average net taxable income of APTS applicants with GSLs was $6,592 compared to $5,918 for APTS applicants without GSLs.

On the other hand, half-time undergraduate GSL recipients who were also APTS applicants had somewhat lower gross incomes than those who were not. The average adjusted gross income on the GSL file for APTS applicants was $11,383 compared to $13,090 for GSL users who were not APTS applicants.

The APTS applicants who also had GSLs were twice as likely as those who did not have GSLs to attend schools in the independent non-profit sector. Forty-four percent of the APTS applicants with GSLs attended independent sector schools compared to 23% of the APTS applicants without GSLs. This would be expected because of the higher tuition costs in the independent sector.

Average APTS awards for students who also had GSLs averaged about $150 higher than those for APTS applicants without GSLs: $653 compared to $492. Most of this effect was caused by the concentration of students using both types of aid in the independent sector. However, in virtually all of the sectors average APTS awards were higher for students who also had GSLs than for those without GSLs.

Background Demographics on Part-Time Undergraduates in New York State

To understand the context in which the Aid for Part-Time Study (APTS) Program operates, it is helpful to consider the demographic makeup of the pool of part-time undergraduates in the state. Relevent statistics were requested from the various sectors of higher education.

On the following pages are several tables giving the most recent demographic information on part-time undergraduates available from each sector. They show:

CUNY Part-Time Undergraduates by 4-Year or 2-Year Level and Ethnicity, Fall 1983 (Table 12);

SUNY Part-Time Undergraduates by 4-Year or 2-Year Level and Ethnicity, Fall 1984 (Table 13);

SUNY Part-Time Undergraduates by 4-Year or 2-Year Level and Sex, Fall 1984 (Table 14);

SUNY Part-Time Undergraduates by 4-Year or 2-Year Level and Age Category, Fall 1984 (Table 15);

Independent Non-Profit Sector Part-Time Undergraduates by 4-Year or 2-Year Level and Ethnicity, Fall 1984 (Table 17);

Independent Non-Profit Sector Part-Time Undergraduates by 4-Year or 2-Year Level and Sex, Fall 1984 (Table 18);

Degree Proprietary Sector Part-time Undergraduates by Ethnicity, Fall 1984 (Table 19); and

Degree Proprietary Sector Part-Time Undergraduates by Sex, Fall 1984 (Table 20).

SUNY sector age distributions from the APTS Student Mirror File were developed for comparison purposes (Table 16).

The age distribution of SUNY part-time undergraduates in Fall 1984 was collected as part of a SUNY biannual institutional survey. In a comparison of this age distribution with that of SUNY APTS recipients for 1984-85, slight differences were found. The SUNY APTS age distribution showed a stronger tendency to cluster in the categories from 25-44 years of age. The overall SUNY part-time age distribution two years earlier showed more students younger than 25 and older than 44. This finding may be due to the income ceilings of the APTS program. Very young students are more likely to be dependent on their parents and may not qualify for APTS by virtue of high parental incomes. On the other end of the age scale, much older part-time undergraduates may tend to have incomes over the $15,000 APTS ceiling for financially independent students.

The most recent ethnic distributions available from the sectors showed minority representation among part-time undergraduates to be 52% in the CUNY sector (1983), 12% in the SUNY sector (1984), 20% in the independent non-profit sector (1984), and 29% in the degree proprietary sector (1984). Minority part-time undergraduate students tend to have lower incomes than Caucasian part-time undergraduates and are somewhat more likely to be financially independent (see Appendix A, NYSHESC Background Research on Part-Time Students).

Part-time undergraduate students were more likely to be females than males in all sectors reporting. In 1984-85 females comprised 59% of the SUNY part-time undergraduates, 62% of independent non-profit sector part-time undergraduates, and 64% of degree proprietary sector part-time undergraduates.

Table 12

Percent Distribution of CUNY Part-Time Undergraduates by 4-Year or 2-Year Level and Ethnicity, Fall 1983

	Level		
Ethnicity	CUNY 4-Year	CUNY 2-Year	TOTAL
American Indian	1.0%	1.1%	1.0%
Asian	4.8%	5.5%	5.0%
Black	25.8%	37.0%	29.4%
Caucasian	54.7%	33.5%	47.9%
Hispanic	13.7%	22.9%	16.7%
TOTAL	100.0%	100.0%	100.0%

Source: City University of New York (CUNY) Data Book 1983-84, Office of Institutional Research, New York, pp. 133-135.

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Table 13

Percent Distribution of SUNY Part-Time Undergraduates by 4-Year or 2-Year Level and Ethnicity, Fall 1984

Ethnicity	Level: SUNY 4-Year	SUNY 2-Year	TOTAL
American Indian/ Native Alaskan	.6%	.4%	.4%
Asian/Pacific Islander	1.1%	2.2%	2.0%
Black Non-Hispanic	7.1%	7.2%	7.2%
Caucasian Non-Hispanic	88.8%	87.0%	87.5%
Hispanic	2.5%	3.1%	2.9%
TOTAL	100.1% (N=14,661)	100.0% (N=53,820)	100.0% (N=68,481)

Percentages may not total 100% due to rounding.

Source: State University of New York (SUNY) Office of Institutional Research Printout, "Part-Time Students Credit Course Enrollment by Racial/Ethnic Category, SUNY, Fall 1984." Excludes non-resident aliens (N=260) and students of unknown ethnicity (N=4,685). Additionally, 44,730 part-time undergraduates not in a degree program are excluded.

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Table 14

Percent Distribution of SUNY Part-Time Undergraduates by 4-Year or 2-Year Level and Sex, Fall 1984

	Level		
Sex	SUNY 4-Year	SUNY 2-Year	TOTAL
Female	53.5%	61.5%	59.3%
Male	46.5%	38.5%	40.7%
TOTAL	100.0% (N=33,161)	100.0% (N=87,129)	100.0% (N=120,290)

Table 15

Percent Distribution of SUNY Part-Time Undergraduates by 4-Year or 2-Year Level and Age Category, Fall 1984

	Level		
Age Category (In Years)	SUNY 4-Year	SUNY 2-Year	TOTAL
Under 15	.1%	.2%	.1%
15-19	8.5%	10.8%	10.2%
20-24	25.3%	29.7%	28.5%
25-29	21.8%	18.8%	19.6%
30-34	15.1%	13.6%	14.0%
35-44	19.4%	18.1%	18.4%
45-59	8.6%	7.8%	8.0%
60 and up	1.3%	1.1%	1.2%
TOTAL	100.0% (N=31,279)	100.1% (N=85,083)	100.0% (N=116,362)

Percentages may not total 100% due to rounding.

Source: State University of New York (SUNY), Office of Institutional Research (1985). "Age Group and Sex of Students Fall 1984." Report No. 8-85, Albany, pages 2, 3, 91, 106, 179-180. Age table excludes students of unknown age (N=3,928).

Table 16

Comparison Table: Percent Distribution of SUNY Aid for Part-Time Study (APTS) Recipients by 4-Year or 2-Year Level and Age Category, 1984

Age Category (In Years)	Level: SUNY 4-Year	SUNY 2-Year	TOTAL
15-19	1.2%	3.5%	3.0%
20-24	23.5%	26.0%	25.4%
25-29	25.6%	24.5%	24.7%
30-34	17.0%	18.1%	17.8%
35-44	26.4%	20.8%	22.0%
45-59	5.7%	6.6%	6.4%
60 and up	.7%	.5%	.5%
TOTAL	100.0% (N=583)	100.0% (N=1,980)	100.0% (N=2,563)

Missing cases = 1

Source: NYSHESC Research Division, APTS Student Mirror File as of 09/27/85.

Table 17

Percent Distribution of Independent Non-Profit Sector
Part-Time Undergraduates
by 4-Year or 2-Year Level and Ethnicity, Fall 1984

Ethnicity	Level: Independent Non-Profit 4-Year	Level: Independent Non-Profit 2-Year	TOTAL
American Indian/ Native Alaskan	.4%	1.4%	.5%
Asian/Pacific Islander	2.4%	1.5%	2.3%
Black Non-Hispanic	12.5%	19.7%	13.0%
Caucasian Non-Hispanic	80.3%	70.7%	79.6%
Hispanic	4.4%	6.7%	4.5%
TOTAL	100.0% (N=38,013)	100.0% (N= 2,847)	99.9% (N=40,860)

Percentages may not total exactly 100% due to rounding.

Source: New York State Education Department, Information Center on Education. Enrollment by racial/ethnic category, sector and level. Excludes non-resident aliens (N=935) and students of unknown eth icity (N=2 544). Additionally, 22,084 part-time undergradute taking de ree-credit courses but not enrolled for degrees are excluded.

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Table 18

Percent Distribution of Independent Non-Profit Sector
Part-Time Undergraduates
by 4-Year or 2-Year Level and Sex, Fall 1984

	Level		
Ethnicity	Independent Non-Profit 4-Year	Independent Non-Profit 2-Year	TOTAL
Female	60.8%	74.3%	61.6%
Male	39.2%	25.7%	38.4%
TOTAL	100.0% (N=41,486)	100.0% (N= 2,853)	100.0% (N=44,339)

Source: New York State Education Department, Information Center on Education. Sex distribution of enrollment from racial/ethnic file. Excludes 22,084 part-time undergraduates taking degree-credit courses but not enrolled for degrees.

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Table 19

Percent Distribution of Degree Proprietary Sector Part-Time Undergraduates by Ethnicity, Fall 1984

Ethnicity	Percent of Sector
American Indian/ Native Alaskan	.5%
Asian/Pacific Islander	.9%
Black Non-Hispanic	21.5%
Caucasian Non-Hispanic	70.7%
Hispanic	6.4%
TOTAL	100.0% (N=2,603)

Table 20

Percent Distribution of Degree Proprietary Sector Part-Time Undergraduates by Sex, Fall 1984

Sex	Percent of Sector
Female	63.7%
Male	36.3%
TOTAL	100.0% (N=3,088)

Source: New York State Education Department, Information Center on Education. Enrollment by racial/ethnic category, sector and level. Sex distribution of enrollment from racial/ethnic file. Excludes non-resident aliens (N=7) and students of unknown ethnicity (N=478). Additionally 3,711 part-time undergraduates taking degree-credit courses but not enrolled for degrees are excluded.

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Table 21

Aid for Part-Time Study (APTS) Institutional Survey Responses

Crosstabulation of Opinion on Changes Need in APTS Program by Sector

Sector	Opinion on Changes Needed: APTS Satisfactory	APTS Not Needed	APTS Needs Minor Modifications	APTS Needs Major Modifications	Total Col. %
CUNY 4-Year	0	0	1	9	10
Row %	0.0%	0.0%	10.0%	90.0%	6.6%
CUNY 2-Year	0	0	3	2	5
Row %	0.0%	0.0%	60.0%	40.0%	3.3%
SUNY 4-Year	0	1	9	10	20
Row %	0.0%	5.0%	45.0%	50.0%	13.2%
SUNY 2-Year	0	0	8	20	28
Row %	0.0%	0.0%	28.6%	71.4%	18.4%
Indep. Non-Profit 4-Year	3	3	24	29	59
Row %	5.1%	5.1%	40.7%	49.2%	38.8%
Indep. Non-Profit 2-Year	1	0	7	3	11
Row %	9.1%	0.0%	63.6%	27.3%	7.2%
Degree Proprietary	2	0	8	9	19
Row %	10.5%	0.0%	42.1%	47.4%	12.5%
TOTAL	6	4	60	82	152
Row %	3.9%	2.6%	39.5%	54.0%	100.0%

Missing cases = 6

Row percentages may not total exactly 100% due to rounding.

Source: NYSHESC Research Division, APTS Institutional Survey Data.

Table 22

Aid for Part-Time Study (APTS) Institutional Survey Responses

Crosstabulation of Future Participation in APTS by Sector

Sector	Future Participation: Yes for 84-85	Yes But Not 85-86	Possibly	No--Unlikely	Total Col. %
CUNY 4-Year	9	1	0	0	10
Row %	90.0%	10.0%	0.0%	0.0%	6.4%
CUNY 2-Year	5	0	0	0	5
Row %	100.0%	0.0%	0.0%	0.0%	3.2%
SUNY 4-Year	20	0	2	0	22
Row %	90.9%	0.0%	9.1%	0.0%	14.1%
SUNY 2-Year	20	0	6	1	27
Row %	74.1%	0.0%	22.2%	3.7%	17.3%
Indep. Non-Profit 4-Year	52	1	6	3	62
Row %	83.9%	1.6%	9.7%	4.8%	39.7%
Indep. Non-Profit 2-Year	10	0	1	0	11
Row %	90.9%	0.0%	9.1%	0.0%	7.1%
Degree Proprietary	12	1	4	2	19
Row %	63.2%	5.3%	21.1%	10.5%	12.2%
TOTAL	128	3	19	6	156
Row %	82.1%	1.9%	12.2%	3.8%	100.0%

Missing cases = 2

Row percentages may not total exactly 100% due to rounding.

Source: NYSHESC Research Division, APTS Institutional Survey Data.

Table 23

Aid for Part-Time Study (APTS) Institutional Survey Responses

Top Three Institutional Administrative Problems with APTS Program

Percent Citing Each of the Top Three Administrative Problems by Sector

Sector	Tuition Liability Concern	Problem With Deadline	Lack of Applicants
CUNY 4-Year	8	10	6
% of Sector	80.0%	100.0%	60.0%
CUNY 2-Year	4	4	2
% of Sector	80.0%	80.0%	40.0%
SUNY 4-Year	16	18	12
% of Sector	72.7%	81.8%	54.5%
SUNY 2-Year	27	21	39
% of Sector	96.4%	75.0%	71.4%
Indep. Non-Profit 4-Year	47	39	33
% of Sector	74.6%	62.9%	52.4%
Indep. Non-Profit 2-Year	8	8	5
% of Sector	72.7%	72.7%	45.5%
Degree Proprietary	12	8	10
% of Sector	63.2%	52.6%	52.6%
TOTAL	122	110	88
% of Total	77.2% (N=158)	70.1% (N=157)	55.7% (N=158)

Column percentages do not total 100% because they are based on the number of schools in the sector citing each item as a concern over the total member of responding schools in the sector.

Source: NYSHESC Research Division, APTS Institutional Survey Data.

Table 24

Aid for Part-Time Study (APTS) Institutional Survey Responses

Institutional Administrative Problems with APTS Program

Percent Considering APTS Income Ceilings Too Low, by Sector

Sector	Income Ceilings Too Low In General	Independent Student Income Ceiling Too Low at $15,000	Dependent Student Income Ceiling Too Low at $22,000
CUNY 4-Year	3	2	2
% of Sector	30.0%	20.0%	20.0%
CUNY 2-Year	1	1	0
% of Sector	20.0%	20.0%	0.0%
SUNY 4-Year	9	9	7
% of Sector	40.9%	40.9%	31.8%
SUNY 2-Year	15	17	10
% of Sector	53.6%	60.7%	35.7%
Indep. Non-Profit 4-Year	29	28	19
% of Sector	46.0%	44.4%	30.2%
Indep. Non-Profit 2-Year	3	5	4
% of Sector	27.3%	45.5%	36.4%
Degree Proprietary	6	8	5
% of Sector	31.6%	42.1%	26.3%
TOTAL	66	70	47
% of Total	41.8% (N=158)	44.3% (N=158)	29.7% (N=158)

Column percentages do not total 100% because they are based on the number of schools in the sector citing each item as a concern over the total number of responding schools in the sector.

Source: NYSHESC Research Division, APTS Institutional Survey Data.

Table 25

Aid for Part-Time Study (APTS) Institutional Survey Responses

Institutional Administrative Problems with APTS Program

Percent Citing Student Lack of Knowledge* About APTS and Lack of Prepayment by Sector

Sector	Student Lack of Knowledge About APTS	No Prepayment A Problem
CUNY 4-Year	8	4
% of Sector	80.0%	40.0%
CUNY 2-Year	2	2
% of Sector	40.0%	40.0%
SUNY 4-Year	9	7
% of Sector	40.9%	31.8%
SUNY 2-Year	10	13
% of Sector	35.7%	46.4%
Indep. Non-Profit 4-Year	18	20
% of Sector	28.6%	31.7%
Indep. Non-Profit 2-Year	4	3
% of Sector	36.4%	27.3%
Degree Proprietary	5	4
% of Sector	26.3%	21.1%
TOTAL	56	53
% of Total	35.4% (N=158)	33.5% (N=158)

Column percentages do not total 100% because they are based on the number of schools in the sector citing each item as a concern over the total number of responding schools in the sector.

* "Students don't know about APTS" could mean that the program began too late to have much effect on part-time enrollment decisions for the 1984-85 academic year. It might also refer to confusion associated with the start-up of a new program or to lack of sufficient publicity. Lack of knowledge about eligibility requirements and application procedures might also be included.

Source: NYSHESC Research Division, APTS Institutional Survey Data.

Related Readings

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State University of New York (1985). "Age Group and Sex of Students Fall 1984." Office of Institutional Research, Albany, Report No. 8-85, 382p.

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APPENDIX A:

Previous NYSHESC Research on Part-Time Students

NYSHESC Background Research on Part-Time Students

Some background information on the part-time student population in New York State was obtained from the 1981-82 NYSHESC Student Survey. A Fact Sheet focusing on demographics and aid use among part-time respondents follows on pages 41-42.

From the Fact Sheet data and other survey responses, it was learned that:

- There is a high representation of women among part-time respondents. At the undergraduate level, nearly 2/3 of the part-time respondents were female, as compared with 55% of the full-time survey respondents.

- Survey respondents who attended part time did so more out of necessity than choice. More than half (53%) of the respondents indicated that a primary reason for part-time attendance was the necessity to work to support themselves and/or their families. Clearly, career and family responsibilities are major factors influencing part-time attendance.

- The majority of the part-time survey respondents (82%) were financially independent of their parents. Females and ethnic minority respondents were more likely to be financially independent than were their male and Caucasian counterparts. The needs of financially independent students, including many women and minorities, must be taken into account as public policy options for part-time students are considered.

- The 1980 incomes of female part-time respondents were slightly lower than those for male part-time respondents. Part-time respondents from ethnic minority groups had 1980 incomes averaging 1/3 less than those of Caucasian part-time respondents.

- Nearly 3/4 of the part-time respondents indicated they were employed off-campus, with nearly 1/3 of those so employed reporting that their employers help them finance their education. However, students assisted by their employers reported earning on the average about $6,400 more per year than unassisted employees.

- Pell recipients represented the neediest segment of the part-time aid recipient respondents. Their average 1980 income was less than $12,000 and was only about half of the average figures for Guaranteed Student Loan (GSL) recipients and employer-assisted students.

1981-82 NYSHESC STUDENT SURVEY

Distribution of Part-Time Undergraduate (PTU) Respondents by Level, Sex and Ethnicity* with Average Age, 1980 Family Income,** and % Financially Independent

Sex and Ethnicity	N	% of PTU Respondents	Average Age	Average Income	% Financially Independent
Female	571	65%	32	$21,959	82%
Male	312	35%	29	$23,234	77%
Caucasian	682	77%	31	$24,190	79%
Minority	201	23%	32	$16,060	84%
Undergraduate Total	883	100%	31	$22,402	80%
Missing Observations = 69			N=869	N=782	

* Sex and ethnicity as reported by student respondents.

** 1980 Family adjusted gross plus non-taxable income per FAA where available; otherwise student-supplied 1980 family gross income from all sources (midpoint of interval checked). Pearson correlation between FAA-provided total income and midpoint of student-checked income category for part-time students in sample = .8.

Source: NYSHESC Research Division, 1981-82 Student Survey Data as of 10/18/83.

1981-82 NYSHESC STUDENT SURVEY

Part-Time Undergraduate (PTU) Aid Recipient Respondents
Percent Distribution of Package Types, Average 1980 Family Income and Average Total Aid* Received

Part-Time Undergraduate Package Type	Number	% of PTU Aid Recips.	Average Income	Average Total Aid
Employer Assistance	221	41%	$24,629	$ 744
GSL	78	15%	$23,875	$2,330
Employer Assistance & GSL	10	2%	$28,676	$2,271
Pell	77	14%	$11,769	$2,206
Other	148	28%	$22,517	$2,219
PTU TOTAL**	534	100%	$21,739 N=406	$1,664 N=448

* 1981-82 academic year aid as reported by Financial Aid Administrator or (if greater) by student.

** Includes part-time aid recipient respondents who provided demographic information.

Source: NYSHESC Research Division, 1981-82 Student Survey Data as of 10/18/83.

APPENDIX B:

Allocations, Award Totals, Numbers of Recipients, and Average Awards for Aid for Part-Time Study (APTS) Program by School, 1984-85

Allocations, Award Totals, Numbers of Recipients, and Average Awards for Aid for Part-Time Study (APTS) Program by School, 1984-85

School	APTS Allocation	APTS Awards Dollar Total	APTS Awards Number of Recipients	Average APTS Award
State University of New York				
University Centers & Medical Centers:				
SUNY Albany	$ 57,168	$ 0	0	$ 0
SUNY at Binghamton	46,387	4,500	12	375
SUNY at Buffalo	189,155	37,722.50	100	377.23
SUNY at Stonybrook	57,038	2,745	5	549
Downstate Medical Ctr.	1,652	900	4	225
Upstate Medical Center	956	956	3	318.67
Colleges of Arts & Sciences:				
SUC at Brockport	$ 36,649	$ 11,942.40	27	$ 442.31
SUC at Buffalo	77,862	21,105	58	363.88
SUC at Cortland	9,303	2,340	4	585
SUC at Empire State	167,984	42,511.62	91*	467.16
SUC at Fredonia	28,302	7,920	24	330
SUC at Geneseo	7,608	2,970	8	371.25
SUC at New Paltz	61,603	17,233	43	400.77
SUC at Old Westbury	48,691	6,795	13	522.69
SUC at Oneonta	11,608	3,465	9	385
SUC at Oswego	29,562	1,943	10	194.30
SUC at Plattsburgh	17,520	7,582.50	20*	379.13
SUC at Potsdam	18,737	3,915	7	559.29
SUC at Purchase	62,168	2,842.70	7	406.10
Specialized Colleges:				
Coll. of Tech. at Utica-Rome	$ 45,083	$ 12,510	22	$ 568.64
Environ. Science & Forestry	4,347	315	1	315
Maritime	609	0	0	0
Agricultural & Technological Colleges:				
Alfred Ag. & Tech.	$ 7,521	$ 800	2	$ 400
Canton Ag. & Tech.	11,651	7,155	14	511.07
Cobleskill Ag. & Tech.	5,739	2,115	4	528.75
Delhi Ag. & Tech.	8,869	2,880	8	360
Farmingdale Ag. & Tech.	297,666	20,340	56	363.21
Morrisville Ag. & Tech.	18,955	13,469.75	33	408.17
Community Colleges:				
Adirondack Community Coll.	$ 65,298	$ 9,687	56	$ 172.98
Broome Community College	133,900	5,043.50	20	252.18
Cayuga Community College	77,601	5,649	28	201.75
Clinton Commuity College	37,085	4,027.75	14	287.70
Columbia-Greene Comm Coll.	32,127	18,259	41	445.34
Corning Community College	44,822	6,529.50	21	310.93
Dutchess Commuity College	179,243	47,013.80	99	474.89
Erie Community College	230,151	35,175	116	303.23

School	APTS Allocation	APTS Awards Dollar Total	APTS Awards Number of Recipients	Average APTS Award
Community Colleges Continued:				
Fashion Inst. of Tech C.C.	$ 269,191	$ 26,406	63	$ 419.14
Finger Lakes Comm. College	72,906	48,422	94	515.13
Fulton-Montgomery C.C.	32,868	6,232	16	389.50
Genesee Community College	40,040	31,248	82*	381.07
Herkimer Community College	24,172	2,702	11	245.64
Hudson Valley Comm. Coll.	117,728	26,227	75	349.69
Jamestown Community Coll.	94,426	19,385	65	298.23
Jefferson Community College	32,345	0	0	0
Mohawk Valley Comm. Coll.	110,641	30,697.50	89	344.92
Monroe Community College	253,888	44,925	114	394.08
Nassau Community College	476,562	58,680	152	386.05
Niagara Community College	62,429	0	0	0
North Country Comm. Coll.	34,475	18,396.95	75	245.29
Onondaga Community College	170,027	3,634	12	302.83
Orange Community College	123,423	34,535.80	63	548.19
Rockland C.C.(All Campuses)	200,676	37,112	86*	431.53
Schenectady Community Coll.	80,340	26,158.50	66	396.34
Suffolk C.C.(All Campuses)	505,863	101,419.11	240**	422.58
Sullivan Community College	20,476	817.50	3	272.50
Tompkins-Cortland C.C.	73,297	54,091	128*	422.59
Ulster Community College	73,210	29,052.50	64	453.95
Westchester Community Coll.	196,459	47,932.50	93	515.40
The City University of New York:				
Senior Colleges:				
Bernard M. Baruch	$ 195,590	$ 26,226	55	$ 476.84
Brooklyn	185,112	39,573	99	399.73
City	122,466	14,322.65	37	387.10
Herbert H. Lehman	154,333	40,396	91**	443.91
Hunter	266,756	32,839.60	78	421.02
John Jay	88,470	15,933	37	430.62
New York Technical College	178,374	72,098	188	383.50
Queens College	193,025	69,707.70	150	464.72
The Coll. of Staten Island	229,891	73,060	158	462.41
York	73,949	38,783.50	92	421.56
Community Colleges:				
Borough of Manhattan	$ 219,718	$115,788.73	326	$ 355.18
Bronx	125,509	102,680	237**	433.25
Eugenio Maria DeHostos	22,780	0	0	0
Fiorella H. LaGuardia	51,517	0	0	0
Kingsborough	177,809	23,480	60	391.33
Medgar Evers	45,648	2,580	8	322.50
Queensborough	285,016	26,800	55	487.27
Independent Institutions:				
Academy of Aeronautics	$ 12,303	$ 0	0	$ 0
Adelphi University	102,120	94,830	82	1,156.46
Albany Business College	11,955	11,955	19	629.21
Albany College of Pharmacy	500	500	1	500

School	APTS Allocation	APTS Awards Dollar Total	APTS Awards Number of Recipients	Average APTS Award
Independent Institutions Continued:				
Alfred University	$ 8,869	$ 840	1	$ 840
Bard College	1,174	1,152	4	288
Barnard	4,000	0	0	0
Berkeley-Claremont School:				
Hicksville	3,347	3,286	6	547.67
New York City	2,565	0	0	0
Berkeley Sch. of Westchester	5,608	0	0	0
Bramson ORT Technical Inst.	5,260	5,260	10	526
Briarcliff Secretarial Sch.	4,782	0	0	0
Bryant & Stratton Bus. Inst.				
Buffalo	55,299	0	0	0
Rochester	8,782	1,094	4	273.50
Bryant & Stratton Powelson Business Institute	16,520	8,564	15	570.93
Canisius College	21,433	12,837	17	755.12
Cazenovia College	522	0	0	0
Central City Bus. Institute	9,999	2,670	6	445
College of Insurance	46,128	1,000	1	1,000
Columbia University (Except Barnard)	46,343	37,864	34	1,113.65
Concordia College	2,304	0	0	0
Cornell University Industrial & Labor Rels. at Cornell Univ.	58,429	0	0	0
Daemen College	12,477	0	0	0
Dominican College of Blauvelt	42,083	2,260	3	753.33
Dowling College	20,476	7,200	14	514.29
D'Youville College	9,608	9,608	15	640.53
Edna McConnell Clark Sch. Registered Nursing	2,130	0	0	0

School	APTS Allocation	APTS Awards Dollar Total	APTS Awards Number of Recipients	Average APTS Award
Independent Institutions Continued:				
Elmira College	$ 45,083	$ 26,109	61	$ 428.02
Five Towns College	3,174	2,790	2	1,395
Fordham University	83,905	35,856	36	996
Friends World College	1,348	0	0	0
Hamilton College	913	800	1	800
Helene Fuld School	2,521	1,771	4	442.75
Hilbert College	10,825	9,675	23	420.65
Hobart College/ William Smith College	500	0	0	0
Hofstra University	58,429	17,750	31	572.58
Houghton College	4,956	0	0	0
Interfaith Hospital-Nursing	500	500	3	166.67
Inst. of Design & Construction	4,652	1,710	3	570
Interboro Institute	500	0	0	0
Iona College	54,908	26,695	23	1,160.65
Ithaca College	6,565	5,425	6	904.17
Keuka College	869	869	2	434.50
Kings College	1,261	0	0	0
Lab. Inst. of Merchandising	500	0	0	0
LeMoyne College	14,086	8,380	11	761.82
Long Island Coll. Hospital-Registered Nursing	2,652	2,383	9	264.78
Long Island University	117,641	71,387.50	73	977.91
Malcolm King-Harlem College Extension	11,651	4,010	8	501.25
Manhattan College	16,824	0	0	0
Manhattan School of Music	2,913	0	0	0
Manhattanville College	6,434	0	0	0
Mannes College of Music	826	826	2	413
Maria College of Albany	24,128	23,328	38	613.89
Maria Regina College	14,433	3,595	8	449.38
Marist College	28,389	24,500	21	1,166.67
Marymount College, Tarrytown	10,564	344	1	344

School	APTS Allocation	APTS Awards Dollar Total	APTS Awards Number of Recipients	Average APTS Award
Independent Institutions Continued:				
Marymount Manhattan Coll.	$ 56,125	$ 30,819.50	24	$1,284.15
Mater Dei College	5,086	4,650	11	422.73
Medaille College	5,347	5,249	8	656.13
Mercy College	139,856	49,628	52	954.38
Molloy College	16,390	7,430	8	928.75
Monroe Business Institute	2,174	0	0	0
Mt. St. Mary College	12,434	5,400	8	675
Mt. St. Vincent, Coll. of	15,607	6,200	7	885.71
Nazareth College	22,215	21,802.40	26	838.55
New Rochelle, College of	19,781	17,609	27	652.19
New School for Social Research/Parsons School of Design	66,602	52,000	43	1,209.30
New York Inst. of Tech.	143,942	30,377	50	607.54
New York School of Interior Design	25,084	13,000	12	1,083.33
New York University	178,852	148,798	112	1,328.55
Niagara University	15,738	9,245	11	840.45
Nyack College	3,304	1,000	1	1,000
Olean Business Institute	500	0	0	0
Pace Univeristy	395,613	90,708	98	925.59
Paul Smiths College	522	0	0	0
Polytechnic Inst. of NY	24,606	2,000	3	666.67
Pratt Institute	17,172	14,725	21	701.19
Rochester Business Inst.	2,130	0	0	0
Rochester Inst. of Tech.	238,194	87,363	74	1,180.58
Rochester, Univ. of	17,085	4,000	3	1,333.33
Russell Sage College	48,169	10,494	11	954
Sarah Lawrence College	4,434	1,000	1	1,000
School of Visual Arts	111,511	44,400	38	1,168.42
Siena College	29,736	8,692.50	12	724.38
Skidmore College	10,390	6,875	6	1,145.83
St. Francis College	43,170	5,500	11	500
St. John Fisher Coll.	26,997	9,122	11	829.27

School	APTS Allocation	APTS Awards Dollar Total	APTS Awards Number of Recipients	Average APTS Award
Independent Institutions Continued:				
St. John's University	$ 83,253	$ 23,336	37	$ 630.70
St. Joseph's College	45,691	34,575	36*	960.42
St. Rose, College of	35,649	5,600	17	329.41
St. Thomas Aquinas Coll.	37,518	22,685	19	1,193.95
Stenotype Academy	3,478	0	0	0
Syracuse University				
All Except Utica College	101,555	75,981	172	441.75
Utica College	45,039	24,631.50	39	631.58
Technical Careers Institute	27,215	10,269.94	18	570.55
Touro College	6,869	1,000	1	1,000
Trocaire College	20,215	19,200	35	548.57
Union College	18,998	5,137.66	6	856.28
Utica School of Commerce	869	0	0	0
Villa Maria College of Buffalo	6,999	5,385	7	769.29
Wagner College	7,695	0	0	0
Wells College	1,000	1,000	1	1,000
TOTAL	$10,999,800	$3,099,212.56	5,911*	$ 524.31

*Number of recipient detail adds to six more than the total 5,911 shown because six students received APTS awards at more than one school and are double-counted. Asterisks by school recipient counts indicate students who changed schools.

Source: NYSHESC Research Division, APTS Student Mirror File as of 09/27/85.

APPENDIX C:

Draft Legislative Proposal

AN ACT to amend the education law, in relation to awards for part-time study in tuition assistance awards

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Subdivision five of section six hundred four of the education law, as added by chapter one hundred ten of the laws of nineteen hundred eighty-four, is amended to read as follows:

5. Tuition awards for part-time undergraduate students enrolled or taking creditable hours in approved programs in degree-granting institutions.

§2. Subdivision one of section six hundred sixty-six of the education law, as added by chapter one hundred ten of the laws of nineteen hundred eighty-four, is amended to read as follows:

1. [Definition.] Definitions. For the purposes of this section (a) "part-time student" means a student enrolled for at least six but [no more than eleven] less than twelve semester hours, or the equivalent, per semester or at least four but less than eight semester hours per quarter in an approved undergraduate degree program, and (b) "income" means that amount determined in accordance with subdivisions one and two of section six hundred sixty-three of this article.

§3. Subdivision two of such section of such law, as added by chapter one hundred ten of the laws of nineteen hundred eighty-four, is amended to read as follows:

2. Eligible students. Tuition awards may be made to students, who comply with the requirements provided in [subdivisions one and two] subdivision three, [paragraph a of subdivision four and subdivision] subdivisions five and six of section six hundred sixty-one of this article, and (i) are also part-time students matriculated in approved undergraduate degree programs, (ii) have accrued six semester hours, or the equivalent, (iii) if eligible to be claimed as [a dependent] dependents under the tax law, whose [family net taxable] incomes do not exceed twenty-two thousand dollars or if ineligible whose [net taxable] incomes do not exceed fifteen thousand dollars, and (iv) who, unless otherwise ineligible, apply for Pell grants pursuant to section one thousand seventy-a of title twenty of the United States code. The continuation of eligibility for a tuition award shall require the retention of good academic standing, as defined by the commissioner pursuant to article thirteen of this chapter. Prior to the approval of any additional award pursuant to this section, participating institutions shall review the academic standing of all recipients of awards pursuant to this section [after completion of each twelve semester hours, or the equivalent thereof].

§4. Subdivision three of such section of such law, as added by chapter one hundred ten of the laws of nineteen hundred eighty-four, is amended to read as follows:

3. Participating institutions. Institutions which offer undergraduate degrees and participate in the tuition assistance program are eligible to participate in the tuition award for

part-time students program, pursuant to this section provided, however, that the tuition for the program in which a student is enrolled totals at least one hundred dollars a year. Eligible institutions shall apply to the corporation to participate in such program on applications postmarked on or before the fifteenth day of June, such applications having been postmarked by the corporation to all eligible institutions on or before the fifteenth day of May. The department shall provide the enrollment data upon which the institutional allocation of funds will be based to the corporation on or before the first day of May. The corporation shall notify participating institutions of the institutional allocation of funds on or before the fifteenth day of July. Notwithstanding the manner and extent in which allocations of funds for awards are made under this subdivision to institutions which form a part of the state university of New York or the city university of New York, the chancellor of either such university may re-allocate and distribute any portion of the allocation of an institution of such university to any other institution of such university to which an allocation is made hereunder. Written notice of such re-allocation and distribution shall be given to the corporation by such chancellor in accordance with the rules of the board.

§5. Subdivision four of such section of such law, as added by chapter one hundred ten of the laws of nineteen hundred eighty-four, is amended to read as follows:

4. Selection of recipients. Participating institutions shall select recipients of tuition awards for part-time students from among eligible students. Participating institutions shall consider those eligible students who demonstrate the greatest amount of financial need remaining after all available grants have been applied to educational costs and shall give preference, where possible, to students who would be otherwise unable to attempt or continue post secondary education. The total number of recipients and the amount of awards shall be limited by the institutional allocation of funds pursuant to subdivision eight of this section. The institution shall select recipients within twenty-one days of the commencement of the semester, quarter or term for which the award is made and each recipient shall be notified in writing of the award, its amount, that it is effected by a waiver of tuition by the institution in such amount, and that the award is counted toward the maximum term of eligibility under the tuition assistance program. In the event a recipient is determined to be ineligible for an award after such notification is given, the institution shall advise the recipient in writing thereof, and that its selection of such recipient and its waiver of tuition is a nullity. If the determination of ineligibility is made prior to the date the institution submits its report of recipients to the corporation, a replacement recipient may be selected, notified and reported.

§6. Subdivision five of such section of such law, as added by chapter one hundred ten of the laws of nineteen hundred eighty-four, is amended to read as follows:

5. Amount of award. The annual award shall be for an amount up to two thousand dollars or tuition, whichever is less. The amount of an award for any semester, quarter or term of attendance shall not exceed the amount of the maximum annual award prorated on the basis of such periods, or the tuition for the period for which the award is made, whichever is less. The amount of the award shall be determined by the participating institution. Such institution shall waive the tuition for such eligible student in the amount of such award.

§7. Subdivision eight of such section of such law, as added by chapter one hundred ten of the laws of nineteen hundred eighty-four, is amended to read as follows:

8. Institutional allocation of funds. The total amount of funds for awards at a participating institution for an academic year shall be that amount determined by multiplying the annual total appropriation for this program by a ratio whose numerator shall be the undergraduate part-time degree [credit] program enrollment at the institution during the preceding academic year and whose denomonator shall be the aggregate [undergraduate part-time degree credit enrollment] of such enrollments at all participating institutions in such academic year.

§8. Subdivision nine of such section of such law, as added by chapter one hundred ten of the laws of nineteen hundred eighty-four, is amended to read as follows:

10. [Disbursement of institutional allocations. Within three weeks of the beginning of each] Institutional reports and reimbursement. Twenty-one days after the date fixed by the institution for students to add or drop courses in the term or semester during which awards are made pursuant to this section, each participating institution shall report to the corporation the following: (i) the eligible students who received an award pursuant to this section and their [net taxable income] incomes; and (ii) the amount of each such award. Within [six weeks] forty-five days of the conclusion of each term or semester during which the awards are made pursuant to this section, each participating institution shall certify to the corporation whether or not each student reported [received a cumulative passing average for the semester hours undertaken pursuant to such award] maintained good academic standing, as defined by the commissioner, for the quarter, semester, or term of attendance for which the award was given. The corporation shall reimburse the participating institution for each award made by such institution on behalf of an eligible student [who shall have received a cumulative passing average for the semester hours undertaken pursuant to such award. A recipient of such award shall not be liable for tuition waived in the amount of the award for semester hours undertaken pursuant to such award for which he or she did not receive a cumulative passing average]. The president may make prepayments to institutions of their allocations of funds in accordance with

the provisions of paragraph c of subdivision three of section six hundred sixty-five of this article, and the president may require institutional refunds in accordance with the provisions of paragraph c of subdivision four of section six hundred sixty-five of this article.

§9. This act shall take effect July ~~first,~~ nineteen hundred eighty-five.

Program Report 85-10

The Implications of Redefining Independent Student Status

by W. Lee Hansen,
Roxanne W. Reeves,
and Jacob O. Stampen

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an institute for the study of diversity in schooling

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The mission of the Wisconsin Center for Education Research is to understand, and to help educators deal with, diversity among students. The Center pursues its mission by conducting and synthesizing research, developing strategies and materials, and disseminating knowledge bearing upon the education of individuals and diverse groups of students in elementary and secondary schools. Specifically, the Center investigates

- diversity as a basic fact of human nature, through studies of learning and development
- diversity as a central challenge for educational techniques, through studies of classroom processes
- diversity as a key issue in relations between individuals and institutions, through studies of school processes
- diversity as a fundamental question in American social thought, through studies of social policy related to education

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Among the topics high on the agenda for reauthorization of the Higher Education Act is the redefinition of independent student status which helps to determine eligibility for need-based student financial aid. Growing concern about deficiencies in the present definition recently prompted the American Council on Education and The College Board to propose changes in the definition. This action comes as the proportion of independent students continues to rise, the dollars available for need-based financial aid awards remain approximately constant, and the belief grows that increased numbers of dependent students are classifying themselves as independent in order to qualify for financial aid.

The purpose of this paper is to explore how alternate definitions of independent students affect the absolute number of independent students. Such information can help us project increases in the demand for student financial aid funds. It can also indicate the extent to which present financial aid awards would have to be reduced to accommodate the increased eligibility, assuming an unchanged level of total financial aid funds. Estimation of the impact of definitional changes is difficult because no comprehensive body of national data exists with the requisite detailed information. For this reason, we use an extensive data base for a single state and then link the results to other available information in order to produce nationwide estimates of the effects.

The evidence indicates that what appear to be relatively minor changes in the definition can lead to significant changes in the number of qualifying students, with substantial implications for

the demand of student financial aid funds and packages. The results suggest the need for caution in proceeding with the pending proposals. As an alternative, we present several recommendations and their implications.

Struggling for a New Definition

Relatively little research has been conducted on independent students even though their characteristics, growing numbers, and the sensitivity of these numbers to alternate definitions have been discussed periodically in the literature. Concern about the independent student definition was expressed early in the history of the Pell Grant program (e.g., Nelson and others, 1974; Hansen, 1974; Hansen and Lampman, 1974) but surprisingly little published research on independent students has appeared since 1974. The Department of Education (1981) cataloged an extensive list of alternative definitions, and Wagner and Carlson (1983) examined a number of these alternatives.

Our analysis of independent students begins with a review of the current definition of independent students. To be classified as independent students, applicants must for the current as well as the prior calendar year state on their financial aid applications that they (a) have not been claimed as a dependent on the federal income tax form of their parent or guardian, (b) have not received more than $750 from their parent or guardian, and (c) have not lived with their parent or legal guardian for more than six weeks.

The first of these conditions, the tax dependency rule, can be verified by examination of the federal income tax form of the

parent or legal guardian; the tax form is either supplied with the student financial aid form or can be obtained to permit verification. By contrast, the other two conditions, the financial support rule and the residency rule, cannot be verified independently. The financial support rule in particular is difficult to verify because some applicants do not know how to treat in-kind assistance; or they cannot remember how much financial support their parents provided. In addition, some applicants may be tempted to respond with less than complete accuracy because classification as an independent student may open the possibility of qualifying for need-based financial aid. This is especially likely for students who as dependents would not qualify for need-based financial aid grants.

The number of younger dependent students who classify themselves as independent students remains unknown. However, the best guesses are that the number is considerably greater than zero and growing rapidly. Gladieux (1985) concludes that some unspecified number of "otherwise dependent students in younger age groups--and perhaps their families--[are] making calculated arrangements to qualify as self-supporting for purposes of student aid." He notes that seven of the ten states with need-based scholarship programs now employ or plan to employ more restrictive definitions of independence, and that many campus aid administrators favor tightening the present definition.[1]

Two specific proposals for narrowing the definition have emerged in recent months. One is the proposal recommended by the

American Council on Education (ACE) and the other comes from The College Board (CB). Both are outlined in Figure 1.

The feature that both proposals share is the inclusion of an age criterion. This is a new development. In one sense an age criterion simplifies the administration of need-based student financial aid programs. At the same time it affects the number of students who qualify as independent. More important, the proposals represent a movement away from the long and strongly held principle in the financial aid community that parents have a responsibility to finance the undergraduate education of their children. This traditional view has, of course, been tempered by concern that at some point the "child" must sever the "parental" tie.

The ACE proposal essentially defines all students who are age 22 and above as independent students. It also prevents classifying most students under age 22 as independent. The net effect of the ACE proposal is a substantial increase in the number of independent students.

The CB proposal is less revolutionary in that it differentiates by age less indiscriminately. For students under the age of 22, the two proposals are quite similar, except for item 1d which includes students who are in "unusual circumstances" as documented by the campus financial aid officer. Until the criteria for defining unusual circumstances are specified, it is difficult to assess the potential impact of the provision. More likely, such a provision will formally classify as independent many students who are so

Figure 1

Two Recently Proposed Redefinitions
of Independent Student Status

American Council on Education Definition	The College Board Definition
A student is classified as independent if the applicant is:	
1. under age 22 only if	1. under age 22 only if
a. an orphan or ward of the court;	a. an orphan or ward of the court;
b. not married but has legal dependents;	b. has legal dependents;
c. a veteran;	c. a veteran;
d. married;	
e. a graduate or professional student	
	d. in unusual circumstances as documented by campus aid officer
	2. age 22-25
	a. but not a tax dependent; and
	b. able to demonstrate proof of self-sufficiency, unless the applicant is
	(1) a veteran;
	(2) has dependents;
	(3) in unusual circumstances as documented by campus aid officer
	3. age 26 or older, regardless of other circumstances

Source: The American Council on Education proposal comes from its submission of recommendations for the reauthorization of the Higher Education Act of 1965; see "Highlights of Preliminary Recommendations for Reauthorization of the Higher Education Act," submitted by the American Council on Education, April 30, 1985, mimeo, 4 pp. As far as we can determine, the ACE has not analyzed the impact of shifting to its proposed definition. The College Board proposal is outlined in a paper by Lawrence F. Gladieux, "An Improved Definition of Independent Student Status Under Federal Student Aid Programs," Testimony presented before Subcommittee on Postsecondary Education, Committee on Education and Labor, U.S. House of Representatives, August 1, 1985.

classified now because they are in "unusual circumstances." For the age 22-25 group, the elimination of the financial support and residency rules will expand the number of those eligible while the self-sufficiency rule will reduce the number of eligible students. Like "unusual circumstances," "self-sufficiency" has not been defined as yet. Meanwhile, it is difficult to predict the consequences of the self-sufficiency rule. For students age 26 and above, their blanket classification as independents may produce a reduction in the number of dependents whose parents are quite willing and able to provide support for them.

Adoption of these or other criteria will clearly affect the number of students who are classified as independent and thus eligible for need-based student financial aid under federal programs. Evidence on the magnitude of the effect is unclear, however. Although Nelson et al. (1974) studied the impact of various definitions of independence on the numbers of independent students, the only recent and rigorous effort that estimates these effects is the study by Wagner and Carlson (1983) which employed several different sources of data and estimation techniques. Wagner and Carlson showed how the number of independent students changes as age, dependency, and self-sufficiency are incorporated into the independent student definition. Although useful in providing estimates of changes in independent students for 1979-80, Wagner and Carlson's results may not be applicable to the 1985 population. Gladieux (1985) offers some additional but fragmentary evidence based on Pell Grant eligibles in 1976-77 and 1983-84 and on College Scholarship Service (CSS) filers for student financial aid in

1985-86. His evidence is interesting, but it ignores the likelihood that some dependent students not now receiving financial aid will qualify for it as independent students.

The California Data

No body of data exists that can yield reasonably current and precise national estimates of the impact of changing the definition of independent students. Despite the face that student aid has long been a multi-billion dollar enterprise, little has been invested in data that describe the system. Data are needed that will (1) identify the student characteristics included in the present as well as newly proposed definitions, (2) permit estimation of the consequences of these proposals on the number of dependent and independent students. Ideally, such data will also (3) predict the effects of these proposals on nonstudents, but that is a far more difficult task.

In our recent work we have made extensive use of a large survey of postsecondary students in California, a data base that is well suited for the analysis we undertake here. And when it is supplemented by national data on the average dollar amounts of student financial aid awards, we can provide a national perspective on the implications of changing the independent student definition.

We draw upon the most recent Student Expenses and Resources Survey (SEARS) carried out for 1982-83 by the California Student Aid Commission (1985). In this survey which is done every three years questionnaires are mailed to a sample of students in various segments of the state's higher education system. Approximately

66,000 of the state's 568,000 students in fall 1982 were sent questionnaires. Responses were obtained from 23,000 students, which resulted in a 35 percent response rate. Subsequently, the data were weighted to reflect the total population and composition of post-secondary students in the state. (Our analysis is based on a data tape made available by the Commission.)

Our principal reservation about using the California data arose from our knowledge of the state's high enrollment rate, which is 56.8 percent as compared to 41.3 percent for the nation as a whole. Closer examination of the data revealed that California's exceptionally high enrollment rate is attributable to it large part-time enrollment. Indeed, its full-time enrollment rate of 23.1 percent is almost identical to the 24.0 percent rate for the U.S.[2] Moreover, most part-time students attend less than half-time and hence are ineligible for financial aid. Thus, our analysis is confined to full-time students whose composition and characteristics closely parallel the national population.[3]

The strength of the California data lies in detailed information for each student respondent on the elements that define independent status: age, marital status, presence of dependents, parental income, student earnings, and the like. Although the information is provided by student respondents, there is no evidence of any systematic biases in the data. At the same time several of the definitions and their time reference periods differ somewhat from information in campus student financial aid records. Actually, the discrepancy is an advantage because of the check it provides on estimates derived from other sources of data.

Implications of the ACE and CB Proposals

What would happen if a new definition of independence were adopted? Would it change the number of independent students? Would the change be greater under the ACE or the CB proposal? By how much? And what would be the likely financial effects of each proposal? These questions need to be asked because Gladieux suggests that neither the number of independent students nor the costs of financial aid programs would be affected greatly by the CB proposal.

In testing these quentions against the California data base, we begin our analysis by adopting the simple proposal of defining all students age 22 and above as independent. We then take up the ACE proposal which is similar, but includes additional criteria for students under age 22. We then consider the CB proposal which classifies all students age 26 and over as independent. However, the CB proposal is more restrictive than the ACE proposal in defining who is independent in the age 22-25 group. Because the California data do not identify how many students are age 25, to fit the CB proposal we use the age 22-24 and age 25 and over categories. Otherwise, we are able to produce unduplicated counts of all the variables in the two proposals except orphan or ward of the court, veteran status, and the as-yet-undefined "unusual circumstances" cases.

The Age 22 Proposal. Nobody has proposed that all students age 22 and above be automatically classified as independent, but such a proposal provides a helpful comparison as we move toward our analysis of the ACE and CB proposals. As shown by Table 1, there

Table 1

Age Distribution of Full-Time Undergraduate Students by Independent and Dependent Status, California, 1982-83
(in thousands)

Age	Independent	Dependent	Total
Under 22	28	441	469
22-24	41	94	135
25+	139	32	171
All	207	566	773

Source: Derived from the SEARS data tape.

are currently 207 thousand independent students. If all current dependent students age 22 and above are reclassified as independent, the total number of independent students rises to 333 thousand; this occurs as we add the 94 thousand dependent students age 22-24 and the 32 thousand dependent students age 25 and over. But, we must also subtract the 28 thousand already independent students under age 22 who would not qualify under the new definition. This brings the total number of independent students to 305 thousand, for a 47 percent increase over the current number of independent students. These changes are shown in column 2 of Table 2 and can be compared with the present definition in column 1.

The ACE Proposal. The ACE proposal increases the number of independent students even more because it includes those students under age 22 who fall into the special categories outlined in Figure 1. We find that there are 6.0 thousand independent students under age 22 who are married or who have dependents. Thus, we must include these 6.0 thousand students, as shown in column 3 of Table 2. The overall effect is to increase the total number of independent students to 311 thousand. The ACE proposal will produce a 50 percent increase over the present definition.

The CB Proposal. The CB proposal produces a smaller increase because its definition is more restrictive. The biggest change occurs in the age 22-24 group. The results are summarized in column 4 of Table 2. For the under age 22 and age 25+ groups the numbers of independent students are the same as under the ACE proposal. The most significant change occurs in the age 22-24 group. Two types of adjustments must be made. First, some students

Table 2

Estimates of Independent Students Based on Alternative Definitions, Utilizing Data for Full-time Undergraduates, California, 1982-83
(in thousands)

Age Additions	Present Def.	Age 22 Def.	New Definitions ACE	CB	ModCB
	(1)	(2)	(3)	(4)	(5)
Under 22 Independents	28	---	---	---	---
+Married, Legal Dependents			6	6	6
SUBTOTAL	28	0	6	6	6
22-24 Independents	41	41	41	---	---
+Dependent Students		94	94	---	---
+Indep. Stud. Tax Dep., Self-Suff.,				24	24
+Dep. Stud. Have Dependents				25	25
SUBTOTAL	41	134	134	49	49
25+ Independents	139	139	139	139	---
Dependent Students		32	32	32	---
+Indep. Stud. Tax Dep., Self-Suff.,					112
+Dep. Stud. Have Dependents					12
SUBTOTAL	139	171	171	171	124
TOTAL INDEPENDENTS	207	305	311	226	179
Percent Increase over Present Definition	--	+47	+50	+9	-14

Source: Derived from SEARS data tape.

who are independent under the present definition no longer qualify as independent under the CB definition. Second, numerous dependent students under the present definition qualify as dependent students under the CB definition. These changes together increase the number of independent students to 49 thousand from the 41 thousand under the present definition. The net effect is to increase the number of independent students to 226 thousand as compared to 207 thousand under the present definition; this is a 9 percent increase over the present definition. It is clear that the CB proposal is more stringent than the ACE proposal.

A Modified CB Proposal. We offer a modification of the CB proposal to test its effects. According to this modification, the same criteria that apply to the age 22-24 group are applied to the age 25+ group (see Figure 1). The results, presented in column 5, show a substantial decline in the number of independent students, with the total dropping to 179 thousand for a 14 percent decline. This modification shows how sensitive the numbers are to what might appear to be a quite modest change in the definition.

Several uncertainties remain in the modified version. First, we do not have information on the numbers of orphans, wards of the court, and veterans. But since these numbers are likely to be small, the understatement of independent students will be minor for both the ACE and CB proposals. Second, we do not know how the legislation and regulations embodying the CB proposal might spell out the meaning of "unusual circumstances" and thereby shift some dependent students from the under age 22 and the age 22-24 groups into the independent student category. The potential increase in

independent students is substantial, in view of the 441 thousand dependent students under age 22 and the 94 thousand age 22-24 (see Table 1).

Third, the CB proposal is silent on the definition of self-sufficiency and the level of income that would enable a student to qualify for independent status. Various definitions exist as reflected in past research (Wagner and Carlson, 1984) and the definition used by various state programs.[4]

The prevalence of job-holding among college students age 22-24 means that some numbers of currently dependent students are likely to qualify as independent students on the self-sufficiency criterion because of the level of their earnings. How many will also qualify on the tax dependency rule is less clear. But since being included as a tax dependent on the 1040 income tax form is a matter of parental choice, prior planning by parents can ensure that their children-students are not listed as dependents and thus facilitate the eligibility of their offspring as independent students.[5]

In conclusion, the ACE and CB proposals imply a decisive turn in thinking about student financial aid policy by introducing age as a criterion for eligibility and weakening the long-standing reliance on parental support. The existing three-part definition of independent students, although for the most part unverifiable, attempts to ensure that eligibility is reserved for needy individuals who are truly cut off from their parents. Age based standards imply something else, that financial aid will be available when one reaches some designated age. The CB proposal

has a deceptive attractiveness because of its greater stringency but still produces a considerable increase in the number of independent students. Moreover, the adaptive behavior of students and their parents are likely to increase even further the number of independent students.

Estimating the Impact on Financial Aid Recipients

The above analysis does not fully reveal the implications for the demand on total student financial aid funds because not all students, dependent and independent, qualify for and receive financial aid. Yet, the shift to the ACE and CB definitions will surely change the number of students qualifying for financial aid. First, quite simply, more students will be eligible and will apply. Second, some students already receiving financial aid may, upon moving from dependent to independent student status, qualify for larger amounts of need-based financial aid than they received as dependent students.

The effects of the several proposals on the numbers of independent and dependent students qualifying for financial aid are illustated by focusing on all students receiving aid on the basis of demonstrated financial need, i.e., received aid from at least one program governed by either the Pell or Uniform Methodology needs analysis systems (Stampen, 1985). Students who receive need-based student financial aid are shown in Table 3. As the table indicates, 37 percent of all independent students receive need-based financial aid. By contrast, slightly less than 20 percent of dependent students receive need-based financial aid.

Numerically, however, many more than twice as many dependent students, as compared to independent students, receive need-based aid.

The effects of the four proposals--age 22+, ACE, CB, and modified CB--on the number of financial aid recipients are presented in Table 4. For purposes of this analysis we define students as self-sufficient if their sources of expected income (summer and academic year earnings plus nontaxable income) exceeds $4,000; as having financial need if the difference between their estimated costs and expected income is positive; as nontax dependents if they were not declared as a tax dependent by their parents or legal guardian for the current and prior year; and as having dependents if they were married with or without additional dependents, or if they were single and had dependents.

We start with the present definition of independent students which shows 77 thousand independent need-based aid recipients. Then we must adjust, as required by the specifics of the definitions in Figure 1, the number of already independent students and add the dependent students. In other words, we must shift several different groups of students into the independent category of students who will receive need-based financial aid.

The Age 22+ Proposal. Adoption of this definition of independence which requires that students, whether or not they now receive aid, demonstrate financial need increases the number of potential need-based aid recipients from 77 to 218 thousand, for a 184 percent increase over the present definition. The increase is calculated from comparing Tables 1 and 3. We first delete the 15

Table 3

Age Distribution of Full-time Undergraduate Students Receiving Need-Based Financial Aid, by Independent and Dependent Status, California, 1982-83
(in thousands)

Age and Status	Total Students	Students With Need-Based Aid	Students Without Need-Based Aid
	(1)	(2)	(3)
Independent			
Under 22	28	15	13
22-24	41	18	22
25+	139	44	95
All	207	77	130
Dependent			
Under 22	441	92	349
22-24	94	14	80
25+	32	6	26
All	566	112	455
Total	773	188	585

Source: Derived from SEARS data tape.

thousand independent aid recipients under age 22. We then substitute the 108 plus 110 thousand independent and dependent aid recipients and nonrecipients age 22 and above if they demonstrate financial need. The results are presented in column 2 of Table 4.

The ACE Proposal. Adoption of the ACE proposal also increases the number of independent students by including those under age 22 who have dependents. For the other two age groups there are no changes. The new results shown in column 3 increase the number of independent students to 222 thousand, for a 190 percent increase.

The CB Proposal. The CB proposal does not have as great an effect as the ACE proposal because several groups qualify in the 22-24 age group. Current dependent and independent students age 22-24 can qualify for financial aid if they demonstrate self-sufficiency, are nontax dependents, and have dependents of their own. The age 25+ group remains the same as in the ACE proposal. To actually receive aid they must also demonstrate financial need as defined earlier. The results are presented in column 4 which shows the independent total rising to 121 thousand for a 57 percent increase over the present definition.

A Modified CB Proposal. This proposal applies the same criteria to the age 25+ group as it does to the age 22-24 group. The number of independent students declines below the present level, dropping to 46 thousand, for a 40 percent decline (column 5).

Estimating the Fiscal Impact

What is the overall fiscal impact of these alternate definitions of independence? This is the key question, particularly in

Table 4

Estimates of Independent Need-Based Student Financial Aid Recipients, Using Alternate Definitions, For Full-Time Undergraduates, Based on California Data, 1982-83 (in thousands)

Age and Changes	Present Def.	Age 22 Def.	New Definitions ACE	CB	Mod CB
	(1)	(2)	(3)	(4)	(5)
	Need-Based Financial Aid Recipients				
Age 22					
Independent Recipients	15	---	5	5	5
Age 22-24					
Independent Recipients	18	17	17	---	---
Independent NonRecipients		17	17	---	---
Dependent Recipients		13	13	---	---
Dependent Non Recipients		54	54	---	---
		(108)	(108)		
Indep Recip. Self-Suff., Fin. Need				3	3
Indep NonRec. Have Dependents				2	2
Dep. Recip. Non Tax Dep.,Self-Suff., Fin. Need				0	0
Dep. Recip. Have Dependents				1	1
				(6)	(6)
Age 25+					
Independent Recipients	44	39	39	39	---
Independent NonRecipients		47	47	47	---
Dependent Recipients		6	6	6	---
Dependent Non Recipients		17	17	17	---
		(110)	(110)	(110)	
Indep Recip. Self-Suff., Fin. Need					17
Indep NonRec. Have Dependents					17
Dep. Recip. Non Tax Dep.,Self-Suff., Fin. Need					1
Dep. NonRec. Have Dependents					1
					(4)
Total Independents	77	218	222	121	47
Percent Increase from Present Definition	---	+184	+190	+57	-40

Source: Derived from SEARS data tape.

light of the tight federal budget now and over the next few years. To the extent that the number of independent students who qualify for financial aid increases, the demand for student financial aid funds will expand beyond the funds available.

Estimating the fiscal impact entails several steps. First, we draw on the estimates of the enrollment effects in Table 4. Second, we calculate the total costs of need-based financial aid by taking into account the average amount of need-based aid that would be received by each type of student who qualifies as an independent student; care is taken to ensure that no double counting occurs. Third, we estimate how the average aid awards will change if total need-based student financial aid funds do not increase.

In preparing these estimates we draw upon estimates of the average dollar amounts of need-based aid received by present students and allocate the appropriate level of aid to students in their new categories. We calculated the average amounts of need-based aid from the California survey. The figures derived from the questionnaire, which asked for total amounts of scholarships, fellowships, and grant assistance (including Pell Grants, Cal Grants, SEOG or EOP/S grants) come as close as we could get to need-based financial aid. Interestingly, the figures calculated from institutional records on students receiving need-based financial aid in public institutions in 1983-84 are quite similar, thus increasing our confidence in the quality of the data. The two sets of data are shown in Table 5.[6]

Table 5

Average Amounts of Need-Based Aid Awards
By Student Financial Aid Recipients
For Full-time Undergraduates in California, 1982-83
and for Undergraduates in Public Institutions, U.S., 1983-84
(in thousands)

Age and Status	Calif. (1)	U.S. (2)
Independent		
Under 22	$2,700	$2,200
22-24	2,900	2,200
25+	2,700	2,400
Dependent		
Under 22	$2,500	2,600
22-24	2,700	2,500
25+	2,600	2,000

Source: Column 1 calculated from SEARS data tape. Column 2 calculated from Stampen SARDB data tape.

The results of these exercises are shown in Table 6, using the California data and the national data for public institutions. It should be remembered that the demand for need-based financial aid funds comes from independent students as well as dependent students, although only the data for independent students are displayed in Table 4. For under age 22 group we assume that all dependent aid recipients would continue to receive aid whereas independent aid recipients would not. Use of the age 22 definition increases the demand for funds by 42 to 48 percent using the California data and using the U.S. data for students in public institutions (column 2). The percentage increase in the demand for funds is quite similar under the ACE proposal (column 3). The CB proposal is considerably less costly than the ACE proposal but still increases the demand for funds by 8 to 24 percent. The modified CB proposal increases the demand for funds a bit more, by 15 to 33 percent, as shown in column 5.

We can also learn what happens if total need-based student financial aid funds remain at their present level. The results are shown in the lower half of Table 6. It is apparent that substantial declines result as a consequence of the increased number of independent students who qualify for financial aid. The ACE proposal would have the effect of cutting aid levels by about 30 percent as contrasted to about 8 percent for the CB proposal; the effect of the modified CB proposal is somewhat greater than the regular CB proposal.

Table 6

Percentage Effects of Changing the Definition Of Independent Students on Total Demand for Need-Based Financial Aid Funds and on Average Size of Award

Type of Effect	Present Definition (1)	Age 22+ Proposal (2)	ACE Proposal (3)	CB Proposal (4)	Mod.CB Proposal (5)
Percentage Change in					
California Data	n.a	42 to 48%	41 to 47%	8 to 24%	15 to 33%
U.S. Data	n.a.				
Average Amount of Need-Based Financial Aid Per Recipient (Col. 1=100)					
California Data	n.a.	-29 to -32%	-29 to -32%	-8 to -19%	-15 to -25%
U.S. Data	n.a.				

Source: Derived from data in Tables 4 and 5.

Related Effects

Thus far, we have addressed shifts of students from the dependent to the independent student category. Three other responses might be expected. First, if and when the definition of independent student status is announced, it seems quite likely that some independent students who did not apply for financial aid in the past will now do so because of their greater awareness of the opportunities. Depending upon this response, the estimates presented here may understate the magnitude of the change. Second, it also seems highly probable that students who continue in the dependent category will increase their efforts to find some way to be classified as independent. Finally, there is the potential response by people who do not attend college and who may be attracted to college by the availability of financial aid.[7]

An Alternate Proposal

It is readily apparent that any age-based definition seriously compremises the major principle undergirding the student financial aid program during its 30-year history, namely the concept of parental responsibility for helping to support the costs of college attendance for their offspring. The ACE proposal alters the principle in a fundamental way by in effect saying that parental responsibility ceases as family members reach the new age of independence at 22. The CB proposal does essentially the same, retaining only the tax dependency rule for the group age 22 through 25. This change has the effect of making student financial aid look more like an entitlement grant, aid awarded by virtue of age,

independent status, and, of course, the demonstration of financial need. If this is the intent, the policy discussion would be better informed by making this clear. In addition, individuals may have a somewhat greater incentive in the future to plan their lives, as through a decision to delay their enrollment, to take advantage of the availability of student aid funds.

If the present problems associated with financial aid arise from the growing tendency of students to classify themselves as independent students in order to qualify for additional financial aid, there are simpler ways to deal with this problem. We propose a refinement on the present definition that will resolve the problem noted above and simultaneously give the public greater assurance that aid funds are being properly allocated.

Our approach is to retain the three-part criterion but extend the duration of time for which students must demonstrate their independence. Such a proposal is favored by some student financial aid officers. Instead of having to meet the tax dependency, financial, and residency rules for the current and prior calendar years to be classified as independent, students would have to meet these criteria for an additional year or perhaps even two years. The state of California already does the latter by requiring the current year plus the three prior years as a criterion for eligibility for state financial aid grants. The longer time period clearly makes it more difficult for students to shift their status.

The impact of this approach is particularly significant. The criterion of current year plus three prior years decreases the total number of independent students from 207 thousand using the

current federal definition to 164 thousand, a 21 percent reduction. These reductions are largest in the younger age groups; the number of independent students declines from 28 to 8 thousand for students under age 22, from 40 to 24 thousand for students age 22-24, and from 139 to 132 thousand for students age 25+. Presumably this change eliminates a number of students who attempt to manipulate the system to their advantage. Of course, it might also eliminate students whose circumstances have changed and who might be deserving of independent status.

Conclusions

We offer several conclusions. First, we are struck by the apparent absence of analysis backing the ACE and CB proposals which were incorporated into draft legislation at the markup in the House Education and Labor Committee several weeks ago. Second, we are struk by the major alterations these proposals would make in the structure of the student financial aid system. The principle of parental responsibility is seriously compromised and an age-based semi-entitlement approach is substituted. Third, we are impressed by the immediate cost increases of such a program, not to mention longer-run responses that would raise program costs even more.

Rather than reorganizing the system, with the possibility of unexpected and unwanted consequences, modification of the existing system offers, it would appear, at least as great a prospect of dealing with a smaller but still vexing problem, that is, emergence of new behavioral responses to a public program that undercut the integrity of that program. Rather than performing immediate major

surgery, we need to find out whether the diagnosis is clear and, if so, whether surgery will cure the disease.

Notes

1. Some support for Gladieux's conclusions may come from a recent report on quality control in the Pell Program which shows that the most costly type of student error is associated with the reporting of dependency status (Advanced Technology, 1985).

2. Whether the much larger proportion of part-time students in California--58.7 percent versus 41.9 percent--reflects lower tuition rates, stronger demand for higher education, or a greater tendency to enroll by those who did not attend college earlier cannot be ascertained. We gain some insight into this question by comparing the age distributions of total and full-time students. We observe from Table 2 that whereas almost half of all students are age 25 and over (column 1), less than a quarter of all full-time students are age 25 and over (column 3). As we might expect, the majority of full-time students--just over 60 percent--are in the typical college age group, i.e., those under age 22. However, the total number of part-time students age 25 and above almost equals the total number of full-time students across all age groups. Perhaps all we can say is that part-time enrollment is extremely popular in California among those age 25 and above.

3. The California data are explored in greater detail in the paper by Hansen and Reeves, "The Effects of Redefining Independent Students; The California Data."

4. Wagner and Carlson use a figure of $3,000 for a single student and $6,000 for a student with dependents in their study using data

for 1979-80. However, the figures vary considerably from state to state, as indicated by 1984-85 data compiled by the National Association of State Scholarship and Grant Programs. Pennsylvania, for example, uses a figure of $1,400 whereas New Jersey uses $2,500.

5. The cost of not claiming a college student as a dependent on the federal tax form is not great. Parents give up the $1,000 deduction, the value of which is determined by their marginal tax bracket; this value could range from zero to as much as $500 per year for families in the top marginal tax bracket. Not claiming this deduction does not preclude parents from continuing to support their college-student children.

6. We feel reasonably confident using the national data for need-based aid with the distributions of students based on the California data. An examination of the data indicates that the distributions of students by various characteristics are quite similar, despite the quite different sources of data and the different definitions employed.

7. The magnitude of these potential responses is extremely difficult to estimate. We can probably say more about the last of the three types of responses. If we take as the elasticity of demand for education the figure of 0.3, meaning that enrollment would increase by one percent (not one percentage point) for each $100 reduction in student costs of education, and provided we interpret financial aid as a reduction in the net price of education, we might venture the rough estimate of a 6 percent (0.3 times 20 increments of $100) enrollment response. Unfortunately, it is

difficult to observe this effect without careful study and analysis. Suppose that such an enrollment response did occur. The availability of more aid would provide most help to potential students from lower income families. But this would also raise the cost of student financial aid beyond the current levels.

These results indicate that the financial and related consequences of the new proposals cannot be brushed aside on the grounds that these proposals, in the words of Gladieux, "more simply, fairly, and accurately distinguish between students who can depend on parental support and those who cannot."

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Table 1

Independent Students and Total Students Receiving BEOG/Pell Grants, and Independent Students as A Percentage of All BEOG/Pell Grant Recipients, 1974-75 to 1984-85

Academic Year	Number (thos.) Independent	Total	Independent as a Percent of Total
1974-75	76.0	543.0	14.0
1975-76	-	-	-
1976-77	351.1	1410.0	24.9
1977-78	710.1	1846.1	38.5
1978-79	674.3	1836.8	36.7
1979-80	857.0	2538.9	33.8
1980-81	1098.9	2707.9	40.6
1981-82	1134.5	2709.1	41.9
1982-83	1149.9	2522.7	45.6
1983-84	1309.1	2758.9	47.6
1984-85	n.a	n.a	50+(est.)

Source: 1974-75: Frank J. Atelsek and Irene L. Gomberg, Student assistance: Programs and Participants, 1974-75, American Council on Education, December 1975, Table 5, p. 19.
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1977-78 through 1983-84: BEOG/Pell Grant, End of Year Reports, Unpublished, Department of Education Reports.
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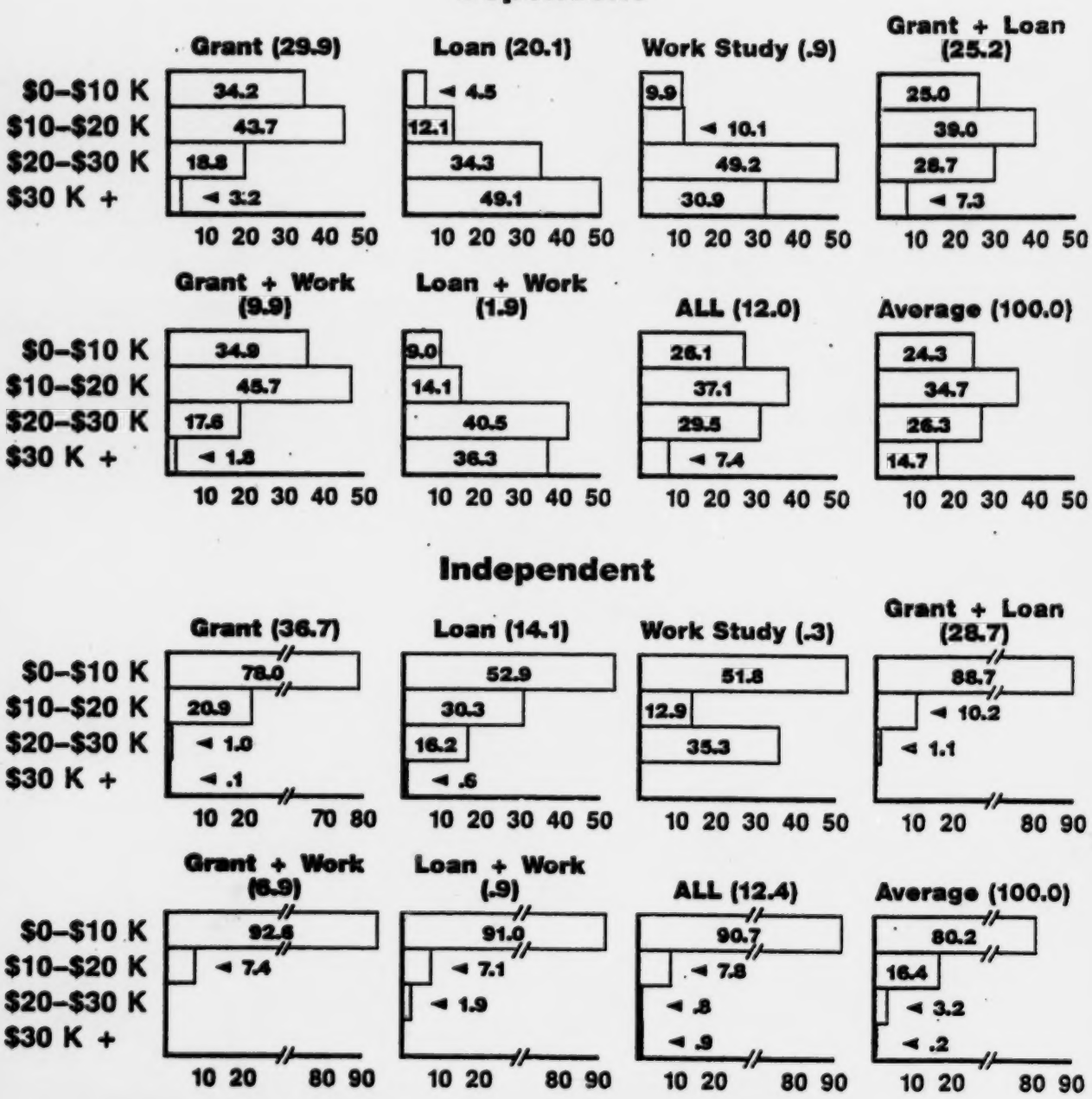
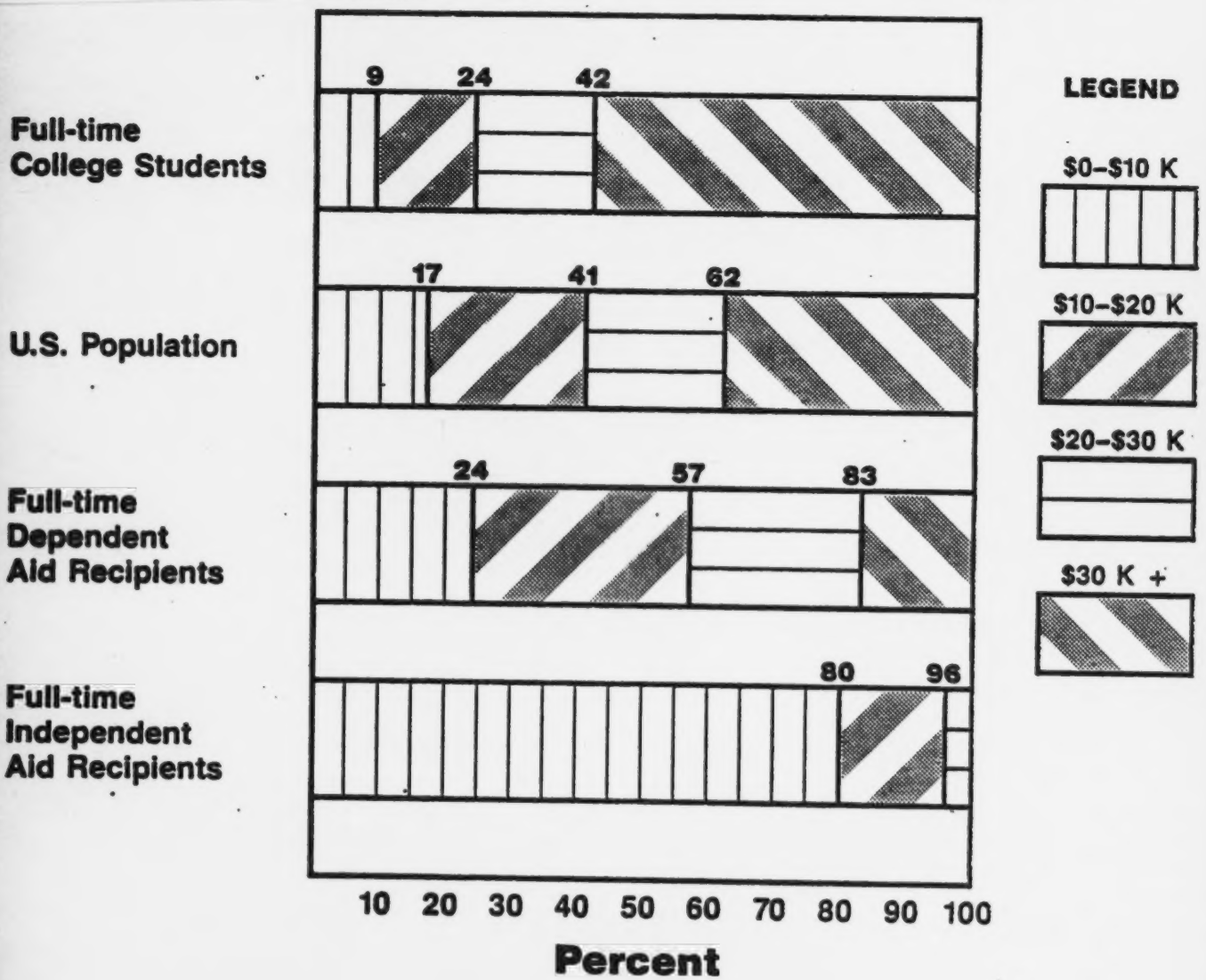
Figure 1

Distribution of Need-Based Financial Aid by Type of Aid, Income Group and Dependency Status



Source: Public Higher Education Student Aid Recipient Data Base: 1983–84 (Includes recipients of Pell, SEOG, SSIG, NDSL, GSL and CWS)

After Tax Income Distribution of Full-time College Students, U.S. Population and Full-time Dependent and Independent Need-Based Financial Aid Recipients Attending Public Colleges, 1983



Source: 1) U.S. Commerce Department, Bureau of the Census, *After-Tax Money Income Estimates for Households: 1983*
2) Applied Systems Institute, unpublished data: 1985
3) Public Higher Education Student Aid Recipient Data Base: 1983–84 (includes recipients of Pell, SEOG, SSIG, NDSL, GSL and CWS)

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PARENTS OF ILLINOIS EIGHTH GRADERS:

A SURVEY OF THEIR KNOWLEDGE ABOUT ACADEMIC AND FINANCIAL PLANNING FOR THEIR CHILD'S EDUCATION BEYOND HIGH SCHOOL

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*Author's note: The author thanks ISSC personnel Ms. Starlynn Sebring for tabulating these data, and Ms. Wilma Bryant for editing this paper.

PARENTS OF ILLINOIS EIGHTH GRADERS:

A SURVEY OF THEIR KNOWLEDGE ABOUT ACADEMIC AND FINANCIAL PLANNING FOR THEIR CHILD'S EDUCATION BEYOND HIGH SCHOOL

ABSTRACT

This paper analyzes findings from a survey of the parents of Illinois eighth graders. The survey takes a sample of these parents in six different school settings to determine the status of their knowledge about college admissions requirements, costs, how they plan to meet those costs, and their knowledge of financial aid in planning for their child's education beyond high school. Study results indicate a lack of knowledge in these areas and a strong desire on the part of these parents to obtain it.*

INTRODUCTION

The mission and goals of the Illinois State Scholarship Commission (ISSC) include the administration of student financial aid programs in Illinois as well as the responsibility to inform the public about the availability of financial aid to help finance college attendance costs. To this end, the ISSC disseminates student aid information to prospective aid applicants. Various means of informing these publics have been implemented, including use of brochures, news releases, audio/visual productions, public service announcements, statewide training seminars, etc. Since resources are limited, the ISSC must maximize these programs' effectiveness in order to reach as many prospective college students and aid applicants as possible.

*Appendix C contains data from a telephone survey assessing research conducted and brochures developed by other states on this topic.

The Illinois Board of Higher Education's fall of 1985 decision to expand requirements for admission to public universities and community colleges places increased responsibility for college planning on the family. Therefore, the ISSC studied the informational needs of Illinois students and their parents as they were about to undertake high school study. This analysis surveys a sample of parents of eighth grade students in six different school settings to determine their knowledge of college admissions requirements and costs, plans for meeting those costs, and their knowledge of financial aid resources in their planning. The six settings used by the State Board of Education are:

Chicago suburban
large cities downstate (Springfield)
independent cities downstate
rural towns
private
Chicago inner-city

METHODOLOGY

The survey was designed jointly by ISSC staff and the ISSC's ad hoc advisory committee. Final survey modifications were made after a pilot test was conducted in the Brown County and Pleasant Plains school districts in January of 1986. The survey instrument is Appendix A.

The State Board of Education (SBE) assisted the ISSC in establishing sampling sectors. From data SBE provided, schools were selected for the Chicago suburban, large cities downstate, independent cities and rural towns sectors. The superintendent of schools in the Springfield diocese assisted in determining schools for the private sector. Chicago Public Schools, Bureau of Guidance Programs and Services assisted with choosing Chicago schools.

The following thirty schools were chosen to survey:

Chicago Suburban: Downers Grove
1. Herrick Junior High
2. O'Neill Junior High

Large Cities Downstate: Springfield
3. Benjamin Franklin Middle school
4. U.S. Grant Middle school
5. Washington Middle school

Independent Cities Downstate:
6. Casey Junior High - Mount Vernon
7. Marion Junior High - Marion
8. Creal Springs Elementary school- Creal Springs

Rural Towns:
9. Hillsboro Junior High - Hillsboro
10. Southwestern Junior High school - Piasa
11. Illini Junior High - Jerseyville

Private: City of Springfield Area Diocese

12. Christ the King
13. Saint Agnes
14. Blessed Sacrament
15. Cathedral
16. Saint Aloysius
17. Saint Patrick
18. Sacred Heart
19. Little Flower
20. Saint Joseph
21. Saint Frances Cabrini
22. Saint Mary's (New Berlin)

Chicago Inner City:

23. Hanson Park
24. Josephine C. Locke
25. William E. Gladstone
26. George Gershwin
27. Gerald Delgado Kanoon, Magnet school
28. John M. Gregory
29. Lawndale Community Academy
30. Walter J. Dyett Middle school

A list of these schools and their response rates can be found in TABLE 1. A total of 3,474 surveys were distributed. For ease of data entry, sectors were color-coded.

After contacting superintendents and principals for proper clearance, surveys were distributed to the schools February 28, 1986, through March 7, 1986. Eighth grade teachers were given a letter explaining the survey and urging them to tell their students to take it home for parents to complete. The packet (see Appendix A) given to each eighth grader contained the survey, a letter to the parents, and a self-addressed, stamped return envelope. Three to five days after survey distribution, teachers distributed another envelope for the students to take home to their parents. This envelope contained a follow-up letter to the parents and a postcard. The follow-up letter prompted parents to complete the survey and return the postcard to the Commission, complete with their name and address. It also explained that results of the study would be sent to all parents returning a postcard.

FINDINGS

The overall response rate was 38% (TABLE 1). Private schools were highest with 56%. Chicago schools were lowest at 23%. Although data presented here are not statistically representative of all Illinois parents of eighth graders, they do serve as strong indicators of these parents' information deficiencies and needs.

TABLE 1
NAME OF SCHOOLS SURVEYED AND RESPONSE RATES

	8th Grade Enrollment	# Surveys Returned	Response Rate
Chicago Suburban: Downers Grove			
1. Herrick Junior High	172	79	46%
2. O'Neill Junior High	230	120	52%
Total for Sector:	402	199	50%
Large Cities Downstate: Springfield			
3. Benjamin Franklin Middle School	347	87	25%
4. U.S. Grant Middle School	315	129	41%
5. Washington Middle School	330	95	29%
Total for Sector:	992	311	31%
Independent Cities Downstate:			
6. Casey Junior High - Mount Vernon	245	76	31%
7. Marion Junior High - Marion	313	157	50%
8. Creal Springs Elem. School - Creal Springs	32	16	73%
Total for Sector:	580	249	43%
Rural Towns:			
9. Hillsboro Junior High - Hillsboro	149	58	39%
10. Southwestern Junior High - Piasa	154	69	45%
11. Illini Junior High - Jerseyville	236	93	39%
Total for Sector:	539	220	41%
Private: City of Springfield Area Diocese			
12. Christ the King	54	36	67%
13. Saint Agnes	36	19	53%
14. Blessed Sacrament	31	12	39%
15. Cathedral	11	5	45%
16. Saint Aloysius	43	27	63%
17. Saint Patrick	15	9	60%
18. Sacred Heart	11	4	36%
19. Little Flower	53	27	51%
20. Saint Joseph	33	24	73%
21. Saint Frances Cabrini	27	13	48%
22. Saint Mary's (New Berlin)	13	7	54%
Total for Sector:	327	183	56%
Chicago Inner City:			
23. Hanson Park	60	10	17%
24. Josephine C. Locke	85	11	13%
25. William E. Gladstone	47	33	70%
26. George Gershwin	76	16	21%
27. Gerald Delgado Kanoon	91	12	13%
28. John M. Gregory	96	21	22%
29. Lawndale Community Academy	113	23	20%
30. Walter H. Dyett Middle School	66*	17	26%
Total for Sector:	634	143	23%
*used 66 of 280 enrollment			
Overall:	3474	1305	38%

Question 1: Is your eighth grade child a:

Fifty percent of those responding had eighth grade daughters.

Question 2: Do you expect that your eighth grade child will continue his/her education after high school?

Of those responding, 81% expected their child to continue his/her education beyond high school, and 15% were uncertain. Only 3% did not expect their child to continue his/her education beyond high school. Thus, it seems most parents returning the survey expected their child to continue his/her education. Findings may be skewed as a result. Percentages reported in this study were based on the 1,320 (38%) total respondents.

Question 3: What colleges, vocational schools, etc. do you expect to consider?
&
Question 4: If you identified at least one institution above, are you familiar with the admissions requirements for that institution?

Of those responding, 87% expected their child to consider Illinois schools. Of those considering particular institutions, only 41% were aware of its

admissions requirements. This figure varied from 49% who were familiar with admissions requirements in suburban schools to 29% familiar with these requirements in Chicago schools.

Question 5: If you answered yes to the above question, please tell us how you learned of their admissions requirements. (Check all that apply.)

If parents identified an institution their child might consider and were familiar with its admissions requirements, they were then asked how they learned about the requirements. Overall, 30% received this information from catalogs or other information supplied by the college. Twenty-two percent obtained this information from an 'other' source. These 'other' sources included: one or more relative (parent, aunt, nephew, etc.) was an alumnus of the institution or was currently attending; the parent was a faculty member or worked there in some other capacity; or the parent was a high school teacher or counselor.

In addition, 16% replied they learned of the admissions requirements by information supplied at their eighth grader's school. Another 16% answered they got this information from an older child who was enrolled there now. Only 4% said they learned of the admissions requirements at a college fair.

Question 6: Have you heard about the Illinois Board of Higher Education's new admissions requirements for public universities and community colleges? (They are scheduled to go into effect in 1990 when your eighth grader would be ready to enter college.)

Notably, 57% of the parents had not heard of these new requirements. Between 48% and 54% of those in the suburban, private, Springfield, and independent cities sectors had heard of these requirements. However, 71% of the rural school and 87% of the Chicago school parents had not heard of these new requirements.

Question 7: Have you made any decisions regarding the courses your son/daughter will take in high school?

Affirmative answers to this question ranged from 51% in the rural sector to 92% in the suburban sector. One explanation for these seemingly high responses and differences between sectors is that some eighth graders must sign up for freshman classes during the spring. Thus, parents and their children in some sectors may have already been thinking about classes for the next fall.

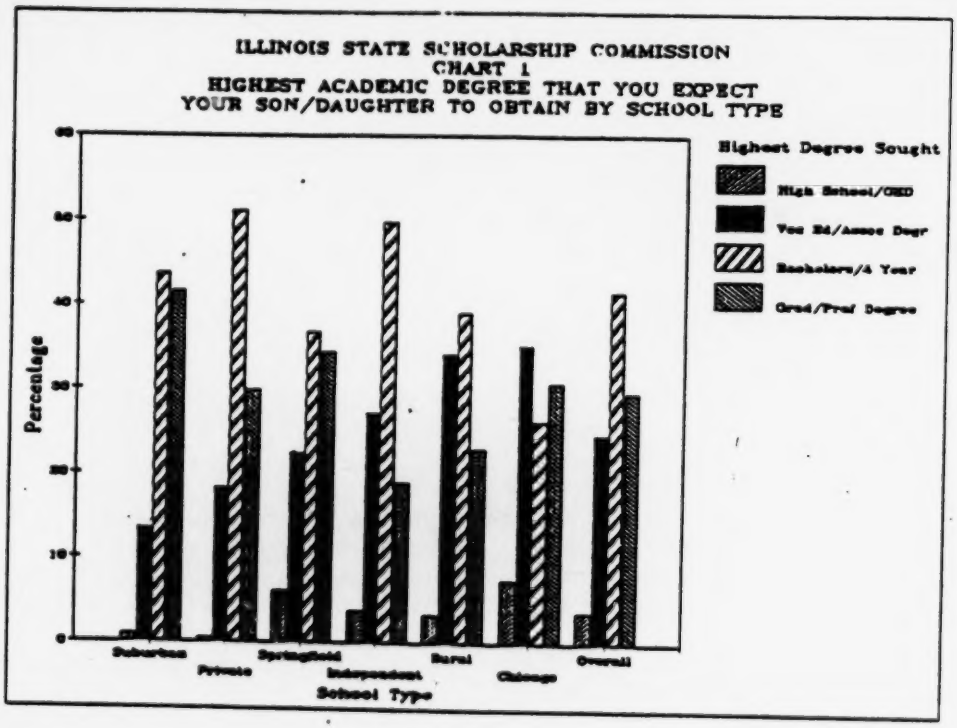
Question 8: Does your child have a chosen career area for his/her education beyond high school?

Affirmative responses ranged between 37% and 49% in 5 out of 6 sectors. In total, of those who specified a chosen career area, the medical field rated number one. Law and teaching were second and third respectively. Rated fourth was the computer field. Fifth and sixth rankings were engineering and veterinary medicine.

Sixty-nine percent of the Chicago parents answered that their child had a chosen career area. In this particular sector, the computer field was chosen most often. The study of law was second. Third and fourth rankings were the nursing and teaching fields.

Question 9: What is the highest academic degree that you expect your son/daughter to obtain? (CHART 1)

Overall, 42% expected their son/daughter to obtain a 4-year bachelor's degree. A graduate/professional degree and vocational/associate's degree were expected by 29% and 25% respectively. Four percent expected their child's highest degree to be a high school diploma or G.E.D. As stated earlier, 81% of those parents responding to the survey expected their child to continue his/her education beyond high school. This 4% figure concerning the child's highest expected academic degree is therefore not representative of all Illinois eighth graders. Responses by sector can be found in CHART 1.



Question 10: How much do you think it will cost your eighth grader to attend college in 1990 for one year?

Fifty-six percent of all the parents responded they did not know how much it would cost. Thirty-five percent of those reporting estimates stated either $5,000, $4,000 or $2,000. Nine percent estimated $10,000; 8% estimated $3,000. Other responses ranged from a low of $30 to a high of $60,000 a year.

Question 11: How do you expect these costs will be paid? (TABLE 2)

Parents who were either planning to send their child to college or who were as yet uncertain, were asked to check all sources that applied to them. Of the suburban parents, 85% felt their own savings would help pay for their child's college education. This contrasts with 35% of the Chicago sector parents who felt their personal savings would help pay for their child's college costs.

In the Springfield, independent cities, rural, and private sectors, 60% to 69% expected parental savings to help pay their child's college expenses. Loans and scholarships/grants all ranked high on parents' lists for paying college

costs. The rural sector seemed to rely most heavily on these types of assistance: 73% of the rural parents expected both loans and scholarships/grants to help pay for their child's college education. Each of the other sectors also expected to rely heavily on these two types of aid with responses ranging from 49% to 72%.

Overall, 60% expected student earnings during college would help pay college expenses. Investments, however, did not figure highly as a source for paying college expenses. The suburban sector chose investments as a means of paying for college only 19% of the time. Only 4% of the Chicago parents expected investments to help pay college costs.

TABLE 2

HOW DO YOU EXPECT THE COST OF YOUR CHILD'S EDUCATION WILL BE PAID?

	Springfield	Independent	Rural	Suburban	Private	Chicago	Overall
Parents' savings	63%	65%	60%	85%	69%	35%	64%
Student's savings	38%	29%	30%	58%	46%	31%	38%
Gifts from relatives	13%	16%	9%	18%	14%	6%	13%
Student loans	63%	49%	73%	68%	65%	57%	62%
Scholarships and grants	65%	55%	73%	62%	64%	72%	65%
Student earnings (While attending college)	60%	61%	59%	64%	63%	49%	60%
Investments	14%	11%	10%	19%	13%	4%	12%
Other: (please identify)	6%	6%	3%	5%	3%	1%	4%
Do not know	11%	13%	11%	6%	4%	15%	10%

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Question 12: The following is a list of financial aid programs. Please indicate which programs you have heard about and which you plan to apply for.

Have Heard About - TABLE 3

Fewer than 25% from any sector had heard about the Policemen/Firemen Dependents Program, Parent Loans for Undergraduate Students, National Guard Scholarships, Auxiliary Loans to Assist Students, Correctional Officer's Survivor Program, National Direct Student Loans, or the Illinois Monetary Award Program (MAP). Of significance for Illinois is that only 9% of the parents had heard of MAP, a $122 million program providing grants to over 100,000 Illinois students. Notably, many people refer incorrectly to this program as the "ISSC". If the question had been reworded using this title for the Monetary Award Program, recognition may have been slightly higher.

The Illinois Guaranteed Loan Program was the most widely recognized by parents (51% of the time.) Overall, 28% of those parents planning to send their child to college had heard of Pell Grants. Twenty-six percent of those parents had heard of the College Work-Study Program.

The Merit Recognition Scholarship Program is new in Illinois, having been funded for two consecutive years. This is a $500 scholarship awarded to Illinois high school seniors who graduate in the top 5% of their class. Thirty-four percent of the suburban parents had heard of the program contrasted with 9% of the Chicago parents. Other sectors' responses as to their knowledge of this new program ranged from 15% to 21%.

Lack of knowledge about the National Merit Scholarship Program further illustrated an information gap between the suburban and Chicago sectors. Forty-eight percent of the suburban parents had heard of this program compared with 8% of the Chicago parents. Twenty-one to 33% were the ranges within the other sectors that had heard of the National Merit Scholarship Program.

TABLE 3

THE FOLLOWING IS A LIST OF FINANCIAL AID PROGRAMS:
PLEASE INDICATE WHICH PROGRAMS YOU HAVE HEARD ABOUT

	Springfield	Independent	Rural	Suburban	Private	Chicago	Overall
Illinois Guaranteed Student Loans	53%	40%	55%	57%	53%	50%	51%
Pell Grants	27%	24%	36%	25%	31%	26%	28%
Policemen/Firemen Dependents Program	6%	4%	3%	4%	7%	6%	5%
Parent Loans for Undergraduate Students	13%	9%	11%	22%	20%	9%	14%
Illinois Monetary Award Program	11%	5%	6%	10%	12%	9%	9%
National Guard Scholarships	15%	8%	12%	8%	22%	15%	13%
College Work-Study Program	26%	24%	27%	26%	28%	22%	26%
Merit Recognition Scholarships	21%	15%	19%	34%	17%	9%	20%
Auxiliary Loans to Assist Students	5%	5%	4%	11%	8%	5%	6%
Correctional Officer's Survivor Program	3%	-	1%	1%	4%	7%	3%
National Direct Student Loans	21%	19%	20%	21%	22%	20%	21%
National Merit Scholarship	33%	21%	2[illegible]%	48%	33%	8%	29%
Other: (please specify below)	4%	2%	2%	5%	5%	3%	4%

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Plan to Apply - TABLE 4

The second part of Question 12 asked parents to indicate for which of these programs they planned to apply. Responses were low in all types of aid programs. Generally, 33% planned to apply for an Illinois Guaranteed Loan. Notably, only 4% of the Chicago parents planned to have their child apply for this program. Again, there was only a 23% response rate from Chicago parents. Generalizations regarding Chicago parents must, therefore, be made with caution.

Overall, only 19% planned to have their child apply for a Pell Grant. Likewise, only 16% planned to apply for College Work-Study. However, 24% of the Chicago parents planned to have their child apply for Work-Study.

TABLE 4

THE FOLLOWING IS A LIST OF FINANCIAL AID PROGRAMS:
PLEASE INDICATE WHICH PROGRAMS YOU PLAN TO APPLY FOR

	Springfield	Independent	Rural	Suburban	Private	Chicago	Overall
Illinois Guaranteed Student Loans	36%	23%	35%	35%	34%	4%	33%
Pell Grants	16%	18%	23%	14%	21%	26%	19%
Policemen/Firemen Dependents Program	3%	3%	-	1%	3%	3%	2%
Parent Loans for Undergraduate Students	9%	8%	7%	13%	9%	13%	10%
Illinois Monetary Award Program	10%	5%	5%	8%	9%	1%	8%
National Guard Scholarships	5%	5%	4%	3%	7%	10%	5%
College Work-Study Program	17%	16%	12%	14%	13%	24%	16%
Merit Recognition Scholarships	12%	10%	11%	17%	13%	13%	12%
Auxiliary Loans to Assist Students	4%	4%	2%	8%	7%	5%	5%
Correctional Officer's Survivor Program	1%	3%	-	1%	1%	7%	2%
National Direct Student Loans	16%	11%	13%	13%	16%	16%	14%
National Merit Scholarship	18%	10%	12%	17%	18%	7%	14%
Other: (please specify below)	3%	2%	1%	3%	5%	2%	3%

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Question 13: Will this eighth grade child be your first child to attend college?

Of those parents who expected to send their child to college or who were still uncertain, 62% responded that this would be their first child attending college.

Question 14: Will there be one or more siblings attending college at the same time this eighth grade child is in attendance?

Overall, 55% of the parents who expect to send their child to college or who were as yet uncertain stated there would be no other siblings in college at the same time as their eighth grader. Reciprocally, 45% responded there would be at least one or more siblings in attendance at the same time.

Question 15: What do you expect your son or daughter to do after high school?

It is important to remember that only 44 parents (4%) responded they were not planning to send their child to college. Based on this small sample, 14 expected their child to work in an office; 12 expected their son or daughter to join the military; and 18 expected their child to work in a service occupation or factory, as an unskilled laborer, a sales clerk, a homemaker, or other.

Question 16: How certain are you that your eighth grade child will do the above?

Only 13% of these parents who indicated they were not planning to send their child to college were very certain their son or daughter would have this particular occupation after high school. Eighty-seven percent were either fairly certain or not at all certain.

Question 17: Do your son's/daughter's expectations differ from yours?

In this regard, 33% felt their expectations did not differ. Respectively, 28% and 39% believed either their expectations did differ or they were uncertain whether or not they differed.

Question 18: Your eighth grade son's/daughter's birth order is:

Of the parents responding, 34% stated this was their first child. Only 10% responded this was their only child. Twenty-nine percent answered this was their second child, and 27% stated it was their third, fourth, fifth, sixth, or later child.

Question 19: What was your approximate total family income for 1985? (TABLE 5 & CHART 2)

Overall, 16% represented each of the following categories: below $10,000, $10,000 to $19,999, and over $50,000. Eighteen percent of the parents had an annual income of $20,000 to $29,999. Thirty-three percent had an annual income of $30,000 to $49,999.

The suburban sector of Downers Grove was chosen specifically to represent a higher income bracket for surveying purposes. Therefore, it is not surprising

that 45% of these parents had an annual income of $50,000 or more. Thirty-seven percent were in the $30,000 to $49,999 range.

The highest percentage of private school parents (42%) fell in the $30,000 to $49,999 bracket. Only 3% were below $10,000. Annual incomes of Springfield public school parents were fairly well distributed. The highest percentage of them (33%) were in the $30,000 to $49,999 annual income level. All other brackets included 14% to 20% of the parents.

Independent schools had 39% of the parents at the $30,000 to $49,999 annual income level. Only 10%, however, were over $50,000.

Thirty-six percent of the parents from the rural sector had annual incomes of $30,000 to $49,999. Sixteen percent were below $10,000; only 6% were over $50,000.

Less than $10,000 in annual income was reported by 57% of the Chicago parents. Twenty-seven percent made $10,000 to $19,999. Eleven percent reported incomes ranging from $20,000 to $29,999 a year; 5% were at the $30,000 to $49,000 level; and fewer than 1% made over $50,000 a year.

A comparison of overall parents' income with the national estimated parental income of entering freshman at all institutions for fall of 1985 found that percentages within each income range are quite similar to each other. As shown in TABLE 5, the national figure is slightly higher for the $50,000 and over category and lower in the below $10,000 category. One explanation for this variance is that this research intentionally studied a lower income population. Only one sector, Chicago suburban, was chosen specifically to represent higher income parents.

TABLE 5

PARENTS' INCOME BY SECTOR

Frequency
percent
row pct
col pct

	SUB	PRIV	SPFLD	INDEP	RURAL	CHICAGO	TOTAL	NAT'L ALL INSTIT*
BELOW $10,000	4	6	46	33	35	78	202	
	.32	.48	3.71	2.66	2.82	6.29	16.28	7.3
	1.98	2.97	22.77	16.34	17.33	38.61		
	2.13	3.45	15.54	14.22	16.43	56.52		
$10,000 - $19,999	10	19	59	40	39	37	204	
	.81	1.53	4.75	3.22	3.14	2.98	16.44	13.2
	4.90	9.31	28.92	19.61	19.12	18.14		
	5.32	10.92	19.93	17.24	18.31	26.81		
$20,000 - $29,999	19	37	52	46	50	15	219	
	1.53	2.98	4.19	3.71	4.03	1.21	17.65	17.6
	8.68	16.89	23.74	21.00	22.83	6.85		
	10.11	21.26	17.57	19.83	23.47	10.87		
$30,000 - $49,999	70	73	97	90	77	7	414	
	5.64	5.88	7.82	7.25	6.20	0.56	33.36	33.5
	16.91	17.63	23.43	21.74	18.60	1.69		
	37.23	41.95	32.77	38.79	36.15	5.07		
$50,000 AND OVER	85	39	42	[illegible]	12	1	202	
	6.85	3.14	3.38	1.85	0.97	0.08	16.28	28.4
	42.08	19.31	20.79	11.39	5.94	0.50		
	45.21	22.41	14.19	9.91	5.63	0.72		
TOTAL	188	174	296	232	213	138	1241	
	15.15	14.02	23.85	18.69	17.16	11.12	100.00	100.00

*The American Freshman: National Norms for Fall 1985. Astin, Green, Korn, Schalit, December 1985, p.10. ACE, Univ. of Calif., Los Angeles.

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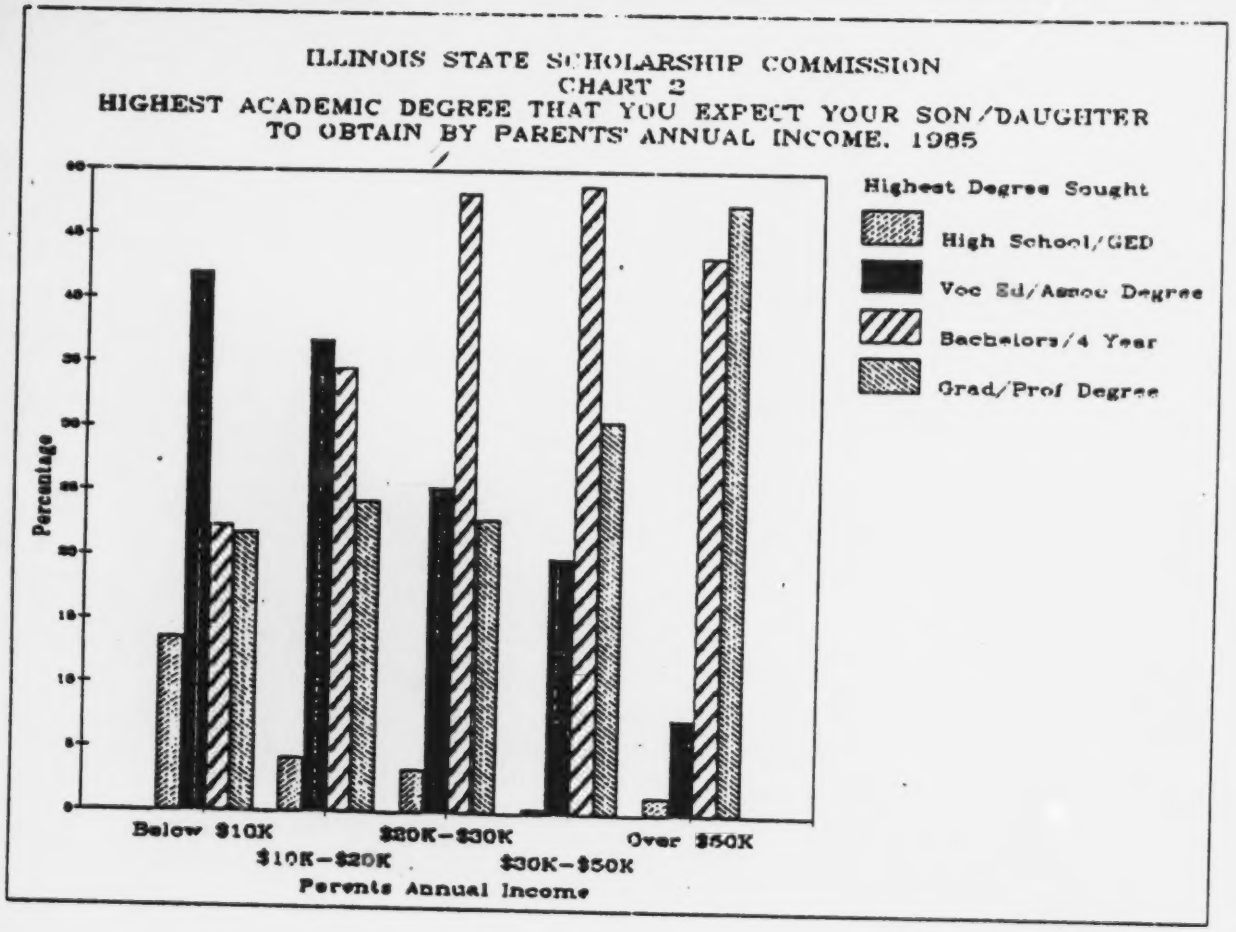

Question 20: Student's racial/ethnic background is:

In the Springfield sector, 84% of those surveyed were white. Twelve percent were black, and 3% were Asian American. Ninety-five percent of those in the independent sector were white; 4% were black. Ninety-seven percent in the rural sector were white students while 2% were American Indian. Of the suburban sector students 91% were white; 5% were Asian American; 2% were black; 1% were Hispanic; and 1% were American Indian or other. Ninety percent in the private sector were white; 5% were black; 3% were Asian American; and 1% were either Hispanic or American Indian. Only 12% of the Chicago sector students were white. Eighty percent of these Chicago students were black; 7% were Hispanic.

(TABLE 6) Cross tabulating annual income with racial/ethnic data revealed that 51% in the "Below $10,000" a year category were white; 43% were black; and 3% were American Indian. The $10,000 to $19,999 annual income category consisted of 77% white students and 21% black. Eighty-nine percent of the students were white in the $20,000 to $29,999 income level. Seven percent in this category were black. For respondents within the $30,000 to $49,999 annual income range, 94% were white; 3% were black; and 2% were Asian American. Ninety percent of the students whose parents earned over $50,000 a year were white; 3% were black; and 5% were Asian American.

TABLE 6

PARENTS' INCOME BY ETHNIC BACKGROUND

Frequency / percent / row pct / col pct	BLACK	HISPANIC	ASIAN - AMERICAN	AMERICAN INDIAN	WHITE	OTHER	TOTAL
BELOW $10,000	85	3	5	6	101	0	200
	6.94	.24	.41	.49	8.24	0.00	16.33
	42.50	1.50	2.50	3.00	50.50	0.00	
	53.46	20.00	19.23	66.67	9.97	0.00	
$10,000 - $19,999	41	3	1	1	153	0	199
	3.35	.24	.08	.08	12.49	0.00	16.24
	20.60	1.51	.50	.50	76.88	0.00	
	25.79	20.00	3.85	11.11	15.10	0.00	
$20,000 - $29,999	15	3	3	0	194	2	217
	1.22	.24	.24	0.00	15.84	.16	17.71
	6.91	1.38	1.38	0.00	89.40	.92	
	9.43	20.00	11.54	0.00	19.15	66.67	
$30,000 - $49,999	12	4	7	0	384	1	408
	.98	.33	.57	0.00	31.35	.08	33.31
	2.94	.98	1.72	0.00	94.12	.25	
	7.55	26.67	26.92	0.00	37.91	33.33	
$50,000 AND OVER	6	2	10	2	181	0	201
	.49	.16	.82	.16	14.78	0.00	16.41
	2.99	1.00	4.98	1.00	90.05	0.00	
	3.77	13.33	38.46	22.22	17.87	0.00	
TOTAL	159	15	26	9	1013	3	1225
	12.98	1.22	2.12	.73	82.69	.24	100.00

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Question 21: What is the highest level of education attained by each parent? (TABLE 7 and TABLE 8)

Overall, 12% of the fathers and 11% of the mothers surveyed had "some high school" as their highest degree obtained. A high school diploma or G.E.D. was obtained by 25% of these fathers and 31% of the mothers. A vocational school certificate or associate's degree was obtained by 31% of the fathers and 37% of the mothers. Sixteen and fourteen percent, respectively, had obtained a bachelor's degree. Finally, 16% of the fathers and 7% of the mothers surveyed had obtained a graduate/professional degree.

Extremes were noted most often between the suburban and Chicago sectors. For example, "some high school" was the highest educatio.. obtained by 4% of the suburban fathers compared with 54% of the Chicago fathers. Likewise, 31% of the suburban fathers had obtained a graduate/professional degree in comparison to 1% of the Chicago fathers. Although not as pronounced, similar differences were represented by mothers in these sectors. TABLE 7 and TABLE 8 contain these data by sector.

TABLE 7

FATHERS' HIGHEST EDUCATION OBTAINED

Frequency
col pct

	SUB	PRIV	SPFLD	INDEP	RURAL	CHICAGO	TOTAL
SOME HIGH SCHOOL	7 4%	6 3%	36 12%	24 10%	23 11%	50 54%	146 12%
HIGH SCHL/GED	26 13%	31 18%	67 23%	62 27%	86 41%	22 24%	294 25%
VOC SCHL/ASSOC	44 23%	71 40%	85 29%	88 38%	73 34%	16 17%	377 31%
BACHELORS DEGREE	56 29%	36 20%	47 16%	30 13%	17 8%	4 4%	190 16%
GRAD/PROF DEGREE	61 31%	33 19%	55 19%	28 12%	13 6%	1 1%	191 16%
TOTAL	194 100%	177 100%	290 100%	232 100%	212 100%	93 100%	1198 100%

6/13/86
RJD

TABLE 8

MOTHERS' HIGHEST EDUCATION OBTAINED

Frequency
col pct

	SUB	PRIV	SPFLD	INDEP	RURAL	CHICAGO	TOTAL
SOME HIGH SCHOOL	5 3%	6 3%	33 11%	27 11%	17 8%	48 38%	136 11%
HIGH SCHL/GED	38 20%	50 29%	95 32%	76 32%	93 43%	34 27%	386 31%
VOC SCHL/ASSOC	82 42%	71 41%	100 33%	91 38%	84 39%	37 29%	465 37%
BACHELORS DEGREE	41 21%	33 19%	51 17%	30 12%	13 6%	5 4%	173 14%
GRAD/PROF DEGREE	28 14%	15 9%	22 7%	17 7%	8 4%	3 2%	93 7%
TOTAL	194 100%	175 100%	301 100%	241 100%	215 100%	127 100%	1253 100%

6/13/86
RJD

Question 22: Please check the following areas in which additional information would be helpful for planning your child's education beyond high school. (TABLE 9)

Overall, 80% of the parents in the survey wanted to know more about financial aid. Seventy-six percent wanted more information on admissions requirements, and 73% wanted to know the chances of receiving financial assistance. Information on the cost of going to college was wanted by 75% of the parents. Career information was wanted by 64%, and graduation and job placement information was wanted by 56% of these parents.

TABLE 9

PLEASE CHECK THE FOLLOWING AREAS IN WHICH ADDITIONAL INFORMATION WOULD BE HELPFUL FOR PLANNING YOUR CHILD'S EDUCATION BEYOND HIGH SCHOOL

	Springfield	Independent	Rural	Suburban	Private	Chicago	Overall
Admissions Requirements (required classes, ACT scores, etc.)	74%	76%	82%	81%	74%	63%	76%
Financial aid (what's available?)	81%	77%	84%	83%	81%	73%	80%
What are the chances of receiving financial assistance?	72%	70%	77%	78%	79%	61%	73%
Cost of going to school (how much will it cost?)	73%	74%	82%	78%	75%	64%	75%
Career information	63%	68%	65%	71%	57%	56%	64%
Graduation and job placement information	50%	56%	60%	59%	56%	58%	56%
Other:	4%	3%	2%	3%	3%	4%	3%

5/22/86
RJD

SUMMARY

The goal of this survey was to assess the academic and financial information needs of parents of Illinois eighth graders in planning their child's education beyond high school. Although findings presented here are not statistically representative of this Illinois population, they do reveal a serious lack of college planning information. For example, even though 64% of the surveyed parents planning to send their child to college expected parent savings to help pay college costs, 56% stated they had no idea how much it was going to cost. Further, of the parents surveyed, 57% had not heard of the new Illinois Board of Higher Education's admissions requirements scheduled to go into effect the fall of 1990 when their eighth graders would be ready to enter college.

While most respondents expected their child to continue his/her education past high school, they consistently showed a serious lack of college planning information. Survey findings, therefore, suggest that non-respondents may know even less about academic and financial planning for their child's education beyond high school.

Finally, parents of Illinois eighth graders demanded information on financial aid, admissions requirements, the cost of going to college, and the chances of receiving financial assistance. A critical need for this information was revealed throughout this study. The Commission, in its goal to effectively disseminate information to prospective aid applicants, now has guidance in targeting informational programs at junior high school students and their parents. Given proper resources, the Illinois State Scholarship Commission is challenged to begin developing these informational materials.

APPENDIX A

ILLINOIS STATE SCHOLARSHIP COMMISSION
INFORMATION NEEDS: SURVEY OF ACADEMIC AND FINANCIAL PLANNING

INSTRUCTIONS: READ EACH QUESTION CAREFULLY AND CHECK (✓) THE APPROPRIATE RESPONSE.

1. Is your eighth grade child a:
   a) _____ boy
   b) _____ girl

2. Do you expect that your eighth grade child will continue his/her education after high school?
   a) _____ yes
   b) _____ uncertain
   c) _____ no

IF YOU ANSWERED YES OR UNCERTAIN, PLEASE GO ON TO QUESTION 3. IF YOU CHECKED NO, PLEASE GO TO QUESTION 15.

3. What colleges, vocational schools, etc. do you expect to consider? (List in order of preference.)
   a) Name of institution:_____ Location:_____
   b) Name of institution:_____ Location:_____
   c) Name of institution:_____ Location:_____

4. If you identified at least one institution above, are you familiar with the admissions requirements for that institution?
   a) _____ Yes
   b) _____ No (SKIP TO QUESTION 6.)
   c) _____ Did not identify institution in Question 3. (SKIP TO QUESTION 6.)

5. If you answered yes to question 4, please tell us how you learned of their admissions requirements? (Check all that apply.)
   a) _____ My son's/daughter's school provided us with information
   b) _____ College catalog/other information supplied by the college
   c) _____ Friends told us what was required
   d) _____ We have an older child enrolled there now
   e) _____ We attended a college fair
   f) _____ Other. Please identify source: _____

6. Have you heard about the Illinois Board of Higher Education's new admissions requirements for public universities and community colleges? (They are scheduled to go into effect in 1990 when your eighth grader would be ready to enter college.)
   a) _____ Yes
   b) _____ No

7. Have you made any decisions regarding the courses your son/daughter will take in high school?
   a) _____ Yes
   b) _____ No

8. Does your child have a chosen career area for his/her education beyond high school?
   a) _____ Yes (please specify) _____
   b) _____ No

(OVER)

9. What is the highest academic degree that you expect your son/daughter to obtain?
   a) _____ High school graduate or G.E.D.
   b) _____ Some college or vocational school or Associate degree
   c) _____ Bachelor's degree (4 year)
   d) _____ Graduate/Professional degree (law, medicine, etc.)

10. How much do you think it will cost your eighth grader to attend college in 1990 for one year? Please provide your best estimates.
   a) Tuition and books $_____
   b) Living costs $_____
   c) Do not know _____

11. How do you expect these costs will be paid? (Check all that apply.)
   a) _____ Parents' savings
   b) _____ Student's savings
   c) _____ Gifts from relatives
   d) _____ Student loans
   e) _____ Scholarships and grants
   f) _____ Student earnings while attending college
   g) _____ Investments
   h) _____ Other: (Please identify) _____
   i) _____ Do not know

12. The following is a list of financial aid programs. Please indicate which programs you have heard about, and which you plan to apply for.

	Have Heard About	Plan to Apply
a) Illinois Guaranteed Student Loans		
b) Pell Grants	____	____
c) Policemen/Firemen Dependents Program	____	____
d) Parent Loans for Undergraduate Students	____	____
e) Illinois Monetary Award Program	____	____
f) National Guard Scholarships	____	____
g) College Work-Study Program	____	____
h) Merit Recognition Scholarships	____	____
i) Auxiliary Loans to Assist Students	____	____
j) Correctional Officer's Survivor Program	____	____
k) National Direct Student Loans	____	____
l) National Merit Scholarship	____	____
m) Other: (please specify below)	____	____
_____	____	____

13. Will this eighth grade child be your first child to attend college?
   a) _____ Yes
   b) _____ No

14. Will there be one or more siblings attending college at the same time this eighth grade child is in attendance?
    a) _____ Yes, one other sibling will be in attendance
    b) _____ Yes, two or more siblings will be in attendance
    c) _____ No, no other siblings will be in attendance

GO TO QUESTION 18.

IF YOU DO NOT EXPECT YOUR EIGHTH GRADER TO CONTINUE HIS/HER EDUCATION AFTER HIGH SCHOOL, PLEASE ANSWER THE FOLLOWING QUESTIONS.

15. What do you expect your son or daughter to do after high school? (Check one he/she is most likely to do.)
    a) _____ Work in service occupation (waiter/waitress, dressmaker, etc.)
    b) _____ Work in office (receptionist, bank teller, etc.)
    c) _____ Agriculture (farm, etc.)
    d) _____ Work in a factory (machine operator, etc.)
    e) _____ Sales clerk
    f) _____ Work in unskilled labor occupation (truck driver, janitor, etc.)
    g) _____ Join Military
    h) _____ Homemaker (not work outside the home)
    i) _____ Other (travel, etc.) Please identify: _____

16. How certain are you that your eighth grade child will do the above?
    a) _____ Very certain (_____
    b) _____ Fairly certain Why? (_____
    c) _____ Not certain (_____

17. Do your son's/daughter's expectations differ from yours?
    a) _____ Yes
    b) _____ No
    c) _____ Uncertain

PLEASE ANSWER ALL OF THE REMAINING QUESTIONS. (Remember, all information from this survey will be kept confidential.)

18. Your eighth grade son's/daughter's birth order is:
    a) _____ Only child
    b) _____ First
    c) _____ Second
    d) _____ Third
    e) _____ Fourth
    f) _____ Fifth
    g) _____ Sixth or later

19. What was your approximate total family income for 1985?
    a) _____ Below $10,000
    b) _____ $10,000 to $19,999
    c) _____ $20,000 to $29,999
    d) _____ $30,000 to $49,999
    e) _____ Over $50,000

20. Student's racial/ethnic background is:
    a) _____ Black
    b) _____ Hispanic
    c) _____ Asian American
    d) _____ American Indian
    e) _____ White
    f) _____ Other

21. What is the highest level of education attained by each parent? (Check (√) one in each column.)

	Father or Male Guardian	Mother or Female Guardian
a) Some high school		
b) High school graduate or G.E.D.		
c) Some college or vocational school or Associate degree		
d) Bachelor's degree (4 year)		
e) Graduate/Professional degree (law, medicine, etc.)		

22. Based on responses from this survey, we will design new informational programs. Please check the following areas in which additional information would be helpful for planning your child's education beyond high school.

    a) _____ Admissions requirements (required classes, ACT scores, etc.)
    b) _____ Financial aid (what's available?)
    c) _____ What are the chances of receiving financial assistance?
    d) _____ Cost of going to school (how much will it cost?)
    e) _____ Career information
    f) _____ Graduation and job placement information
    g) _____ Other: _____

IN THE SPACE BELOW, PLEASE SHARE WITH US ANY CONCERNS YOU MIGHT HAVE ABOUT ACADEMIC AND/OR FINANCIAL PLANNING FOR COLLEGE FOR YOUR EIGHTH GRADER.

THANK YOU FOR YOUR PARTICIPATION IN THIS STUDY. PLEASE RETURN THIS QUESTIONNAIRE IN THE ENCLOSED ENVELOPE. NO STAMP IS NECESSARY.

ILLINOIS STATE SCHOLARSHIP COMMISSION

525 W. Jefferson Suite 111 Springfield, Illinois 62702 217:782-6767

SCHOLARSHIPS GRANTS LOANS SECONDARY MARKET (IDAPP)

February, 1986

Dear Parent(s):

The Illinois State Scholarship Commission is gathering information on the plans families are making for their eighth graders after they graduate from high school. Some of you may hope to send your eighth grade son or daughter to college, while other parents may expect their children to get a job, enter military service, marry, or engage in some other activity.

Whatever your plans, we need your help to complete and return the enclosed survey.

This may seem a little early to be planning for what will happen in 1990, the year your child graduates from high school, but we have good reasons to learn about family plans for eighth graders. Last fall, the Illinois Board of Higher Education adopted admissions requirements for Illinois public universities and community colleges which require students to take as much as four years of preparatory subjects in high school. We are also interested in how families are planning to pay for the costs of going to college.

Even if you do not think your eighth grader is likely to attend college or vocational school, we want to know what you expect your child to do after high school. Please help us better assist families by completing and returning the enclosed survey. We will keep your reply confidential and report only summary data. Results from this survey will be used to prepare a program of informing parents at the junior high school level about the after-high school options for their children.

Please return the completed survey to us in the stamped envelope. Thank you for your cooperation.

Yours truly,

Thomas G. Mortenson
Director for Research

TGM/rd

460

ILLINOIS STATE SCHOLARSHIP COMMISSION

525 W. Jefferson Suite 111 Springfield, Illinois 62702 217:782-6767

SCHOLARSHIPS GRANTS LOANS SECONDARY MARKET (IDAPP)

February, 1986

Dear Teacher:

Thanks for your help in distribution of this survey. The Illinois State Scholarship Commission is a state agency responsible for both administering student financial aid programs and informing the public about the availability of financial aid. We are surveying the parents of eighth grade students to determine the informational and financial needs of prospective aid applicants. Based on responses from this survey, we will design new informational programs.

1. Please distribute these envelopes to your eighth grade students and explain that each is to: G A P.

   1) Give it to their parent(s).

   2) Ask their parent(s) to fill it out.

   3) Put it in the mail back to us. (Stamped envelope is provided.)

2. Three days after the initial survey distribution, please hand out the follow-up postcard which is designed to increase response rates. In order to report valid data, response rates from this survey are extremely important. Please stress the importance of their parents filling out the survey and returning it to us, regardless of future college plans.

Thanks for your cooperation!

Sincerely,

Rhonda Dixon

Rhonda J. Dixon
Survey Coordinator

RJD/rd

ILLINOIS STATE SCHOLARSHIP COMMISSION

525 W. Jefferson Suite 111 Springfield, Illinois 62702 217:782-6767

SCHOLARSHIPS GRANTS LOANS SECONDARY MARKET (IDAPP)

Dear Parent:

Last week you received a survey questionnaire via your eighth grader. It contained questions concerning your feelings about college costs and...

If you have already completed the questionnaire and returned it to us, we would be pleased to send you a preliminary report of the research findings when they become available in early June. Simply return the enclosed postcard.

If you have not yet had an opportunity to fill in the entire questionnaire, we would of course urge you to complete it as soon as possible and return it to us in the stamped envelope provided. Thank you for your cooperation.

Sincerely,

Thomas G. Mortenson, Director
Policy, Research & Analysis

TGM/bjn

APPENDIX B

Open-Ended Question

The last section of the survey allowed parents to share with us their concerns about academic and/or financial planning for college for their eighth graders. Although close to three hundred responses were written in this section, only major areas of concern and a few actual responses in each are listed below.

Concerns from Middle Income Families

"We hope that the cost of a college education will not be so high that our children will not be able to attend, even at the ages they are now 13 and 11 they have very high hopes and dreams for the future careers. We would like to have more financial aid available to those of us who are in the working class, and not so much to the poor and the wealthy students, at times it appears these students are forgotten."

"I am concerned with the federal governments' cutting the budget in the areas of student loans and grants. It is getting very difficult for middle class children to attend college. Is higher education only for the very rich or the very poor? Are we throwing away the talents of many of our youth? I can't think of a better place for the government to invest its money than with the gifted youth of our country - our future."

"What is the need for foreign language in high school as a requirement for college entrance? How does a family of five with average income and average expenses but little savings hope to send their children to college with constant rising costs. Hasn't college become the higher education for the children with exceptionally high ACT scores or the children of the wealthy, not the average."

"I am concerned that aid for white middle class students does not become a thing of the past in order to provide full scholarships for minority students. I am also concerned about college education becoming so expensive that it eliminates all but wealthy young people and those on athletic scholarships."

"With costs going up yearly, we are worried about the financial burden that will go along with our son's college education. It seems that college is fast becoming a luxury for the 'rich' only."

"I find more and more parents discouraged because they do not qualify for financial aid. I feel many are not even trying because they assume they will be refused."

"More scholarship aid must be made available for students based on ability.
- Work study programs must be expanded to accommodate more students.
- Current student loan programs and financial assistance based on 'need' work against parents who save or work a second job. The application procedures all make liars out of applicants or at least tend to encourage 'creative' financial statements."

"I believe Ronald Reagan does not wish to educate the middle class, except perhaps as soldiers."

"There doesn't seem to be much encouragement/assistance for an average family. Unless you have a football star or are on welfare the only 'help' offered is a loan with a high rate of interest. Why can't assistance be offered to hard-working families as well as non-working families?"

"I am concerned that as a middle-income family my two children will not be eligible for a scholarship."

Single/Divorced Parents

"I am a divorced mother of three. Unfortunately, I receive child support only sporadically. I want my children to be the best they are able - and the only way to insure this (in life terms) is to get the best education available. It is very frustrating to see these costs so prohibitive. Without some form of assistance/scholarship - college will be beyond our grasp. Yet I know nothing about any programs available. More information would be welcome. Quality education should be affordable and available to all. Sounds corny - but a mind is a terrible thing to waste."

"As a single parent, my primary concern is the cost of higher education."

"My son has talked of college for a lot of years and has done exceptionally well. Since I am a single parent and not working at present, financial problems are a big concern. I want my son to get where he wants to go and find out how he can get financial assistance, so he can achieve this."

"I am a single parent with 4 children. My husband gives child support - but I don't know whether he will contribute or not. Will only my salary be counted when my children apply for financial aid?"

"I'm a divorced parent and solely share the responsibility of educating my son. A divorce decree did not in any way provide monies for my son's education for high school or college. My other four children, however, have become Nurses, Pharmacists, Business majors, and my fourth son is in his last year of Dental School. My fifth child (and last) will be starting college 1990. I hope he shares the same intense feeling of achieving in spite of the financial burdens involved as his brothers and sisters did."

"I am a single parent and very concerned about the cost of higher education. It is imperative that my sons go to college but I do not feel fully informed as to financial aid that is available. How is the ordinary parent to become more knowledgeable?"

"Being a single parent not receiving child support or any other assistance, I am concerned that I will not be able to assist my daughter financially with school. We will have to rely heavily on scholarships or grants. Much of what she will accomplish will have to be done on her own."

Costs

"My main concern is about the rising cost of higher education. What I feel is most needed is alot more information on the options my child has toward financial aid for these higher education institutions and what are her overall chances of receiving that help. I am also concerned about what is required of her for this assistance."

"We are very concerned about the financial costs of college. Since we have 2 children entering college in 1989 and 1990, we are very concerned about supporting two college students. We understand there are many scholarships and grants not being used and would like more information on where to apply for information."

"We are concerned about being financially able to keep our daughter in college. Our other two daughters were in college in the seventies and it was hard enough then. We were able to receive student loans and grants, plus student earnings on campus and off campus. Since then costs have increased tremendously. We would appreciate any help on financial planning that you can give and information on all financial aid available. Thank you."

"Our greatest concern is how we will pay for this education and if assistance in the form of loans and scholarships will be available. We are anxious that our income will be too high to qualify for assistance yet not high enough to afford what will be required."

"I'm afraid I'll be paying for my two girls for the rest of my life!!!!!"

"WE NEED HELP!!!! It's difficult to save for college when mother is at home caring for younger siblings."

"Just need to know how to go about applying for help and if we or she will qualify."

"Stude..t may have to depend almost entirely on loans, since the parents' salary has no way kept up with inflation and is presently barely meeting bill payments and stretching for living expenses. Still, my income makes us a less likely candidate for financial help."

"We presently have one child attending the U of I. Fear financially once he completes his education and our second child enters higher education, our savings will be depleted before this child is able to attend."

"He aspires to receive an athletic Scholarship and barring unforseen injury or illness, should be able to reduce the cost of his eduation some in this manner. I wish we had started saving earlier, so we would not have to liquidate investments to support his educational endeavor."

"The major concern is the cost of going to any kind of school after high school. Even if we know what the approximate cost is this year, who can tell what it will be by 1990."

"Our major concern is cost, and how much money we should have available - also - scholarship information to help with expenses."

"I know he could do well in college and make something well of himself if we can just afford to send him on to school."

"Am concerned that aid will continue to be cut. Survey is a great idea!!"

"We will still be paying on a parent loan for one other child when this one starts college. One of our children graduated college in Sept 1985; the other will finish in Aug 1986. We have done nothing the last few years but pay for education for these children. Talk about finances - we have none left."

"My concern is the difficulty in determining what financial plans I have to make for all three of my children - I will have either single or double college expenses for nine years. I realize that I will need some other money (grants, loans, scholarships) to provide my children's educations. It is difficult to plan for an unknown amount of money. I have a feeling that no matter how much I manage to save for college - I'll still find the family being forced to live on jello for the duration of the total college years for our family."

Comments Regarding the new Illinois Board of Higher Education's Admissions Requirements

"I think it is too soon to decide at 13 what one wants to do in life. My son will need more education beyond high school, but he needs to take some High School courses to find his interest. The new requirements leaves no room for hands on classes."

"I believe the new requirements are too demanding and put too much responsibility on an eighth-grader for them to decide if they want to go to college or a vocational school."

'The academic standards are tight now. These people trying to raise the standards are trying to stop education for a lot of people."

"At this point, our college choice is not definite. We are in the dark as far as admission requirements are concerned. Even our high school administration was unwilling to give definite long term (1990) requirements."

"I fully support the new admission requirements, I feel it will force an earlier decision for the student on what he/she plans to do while in high school."

"The present academic requirements take all choice away from H.S. students. Certain vocational classes, where good basic information can be obtained have to be passed up. Education comes from the experiences a student has rather than taking a certain number of courses. Also, it is a little early to expect a freshman in H.S. to know career desires. The parent has to pick direction, and, as a result, can be blamed for unhappy career choices."

High School Preparation for College

"We aren't sure that we will be able to afford college for her. Not knowing how much to plan for, and even if we did know, maybe we don't have enough saved. Also, with changes in the educational system, we aren't sure she will be able to have all the requirements she needs for college."

"My main concern is that my children receive the proper educational background in high school to prepare for success in college and to achieve at a level to qualify for financial scholarship aid."

"It seems impossible to plan for such a large expense. Information of different approaches would be interesting. I am also concerned with the restricted selection of high school courses due to school hours. If a student is college bound in scientific field, there is no time at school to take other than "solid" courses. (I consider foreign language a solid). I wish the school day would be lengthened."

"We do not like the five-hour day in our school district as it does not allow the students to carry enough extra classes."

"The area high school offers only 5 class periods per day. Well-rounded college prep is virtually impossible in this system. Our high school I believe is unique in this structuring of classes. I am extremely concerned it will impair my child's adequate preparation for college."

"Make sure he has all the required courses needed for college admissions."

"Very concerned with short days and its effect on academic levels. Concerned that grading scale does not reflect skill level attained - too easy."

Go to the Military for Education

"I hope my son joins the National Guard, so he can get a college education paid for. His father died last year, and there's no way I could pay for his college education."

"Try to get into R.O.T.C. to pay for college."

"I plan to have my son work to enter some military program that will aid in his college education. These programs I haven't looked into yet. I do have stock money saved that will aid in his education. All informational programs listed in question 22 of this questionnaire would be beneficial to me."

"At age 18, with so many career choices, we doubt if our son will really know for sure what he wants, we encourage his joining of the military service because it will give him 3 or 4 years in which he can 'find himself' and see other parts of our civilization and culture. Southern Illinois is somewhat a depressed area with small towns being the majority. We were both raised small town people though we both have been residents of large cities. We want our children to experience the difference, become mature, productive, efficient, self-reliable citizens of wherever they choose to live. We encourage attending college after military service or choosing the military as a career and retiring before 40 years of age with a pension(!), and then working at his choice of job."

General: Concerns, Suggestions, Ideas

"I would like to know how my child could get enrolled in the college of her choice."

"I'm afraid we teach our children how to further their education better then we teach them how to live i.e. balance a check book, how to do taxes, what kind of insurance are necessary, what action must be taken when a death occurs in a family. More than higher education these are necessary for an individual to be a successful and confident citizen. I've seen too many people with degree's who don't know the first thing about day to day living. I'm fearful of an entire generation becoming so specialized in a particular field they find it difficult to function outside that field."

"If there is any way possible I would like to know about the financial planning and aid for my son. Thank you."

"Will you please help my 8th grader to go to college and my 10th grader!"

"I didn't know about a lot of financial aid that is available, can you send me information about the different aids. Thank you."

"We don't know where her particular interest abilities are at this time. We will need some form of financial assistance and are not aware of what is available."

"Since this is our first child who wants to attend college, any information on financial planning would be helpful to us. Our son is not too familiar with the different colleges and is unsure what career he is interested in. By the time he graduates, we will be close to retirement so financial help would be helpful to us. He is very sports-minded and is interested in something along those lines."

"My husband is laid-off regularly and we will have two in college. We defintely will need aid and I need to know how to apply and when."

"Information about different colleges -"

"We need to know college specializing in the Medical Field our daughter is interested in. She wants to work in Lab or Therapy. We have heard Springfield has a program - but have not had a chance to inquire yet. Any information you can give us will be greatly appreciated. Thank you."

"NO, and I'm disappointed that the schools' have no plan for "interest" testing 9th graders to help them "discover" their interest to help focus their career planning (or more like "career imagining".)"

"This questionnaire really makes one realize - much money is needed to send your child to college."

"This is a whole new area for us to learn about. This survey is valuable to me in that it reminds me it is time to think about all of this."

"8th grade is a very difficult time to make these decisions. Most children at this age are very unsure of their future."

"My child seems sincere about being a veterinarian. I have instilled in her that without the high academic rating college will probably be out of the question, because of lack of financial aid. If it is possible I would like to have all the information I listed above. It would give us an idea if it is feasible to try for this."

"We are looking toward the future. Right now we are financialy unable to send him to college. Being what the farming problems are now."

"If our son would want to attend college for further training we would have to apply for some financial help being his father is on VA disability and isn't physically able to work. Thank you."

"1) Need for resource materials, persons to talk to and guidance regarding colleges that best fit the aspirations and needs of our child. 2) Information regarding financial planning, sources of financial aid, and procedures to obtain financial aid."

"I'd like a way of determining the academic strenghs of various institutions, not just the cost of tuition."

"At this point, we have no savings account and certainly no way of sending our children to college. I would love for them to go, as they are very intelligent and make good grades. At this point, they are not thinking about college, but do want to go. I hope there will be some way to get help for them in the future."

"Our main concern is to give the best education to our children and they could only have it if they go to college. I always tell them that this is the only thing we could give them (education) as we don't have any wealth or properties to offer. It's for them to choose their own course in college, and we parents would always be there to help them out till they're through."

"I feel the biggest concern is financial, and also what kind of grades are required to even apply for any kind of help."

"I would like to get direct feedback on the questions I have asked in #22. Our school system does not seem to get this direct feedback to us. Thanks"

"Any information at all would be helpful."

"Perhaps in social studies or home economics in eighth grade year, these children could arbitrarily choose a college and research its entrance requirements before the children are asked to fill out their 4-year high school plan. It might make a difference in their course choices."

"I very much appreciate the effort made by your organization in developing this questionnaire. If you can provide us with information I've identified in Q.#22 we should be able to obtain answers to most of our questions/concerns related to academic and/or financial planning. Thanks again for your efforts to better prepare us as parents!"

"I would like to see accelerated/college credit classes offered to advanced students. This would not only provide an opportunity to enter the college of choice but also reduce the cost by a semester or two."

"I would like for both my children to attend college. My daughter will start in 1987. I have no idea how it will be paid for. I expect they will both have to work to help out. I'm hoping I can get some kind of assistance for them. I think it is very important that plans for college are made in eighth grade so the student will be taking the proper courses in high school."

"I would be interested in any information your commission could make available to me in order to help my child reach her full potential."

"We have a son, freshman, and daughter, eighth grade. Both are honor roll students, but have not decided about college or vocations. Thank you."

"There is still alot of 'kid' in my daughter. All she says is I don't know. I don't think she has even thought about what she will be doing 4 years from now. I know my other kids didn't even consider college because we didn't have enough money."

APPENDIX C

As part of this research, a separate telephone survey was conducted of each of the fifty states plus Washington D.C. A representative from each of these states was obtained from the 1986 National Association of State Scholarship and Grant Programs Directory. This representative was contacted and asked three questions concerning academic and financial planning for college by parents of junior high school students. The three questions were:

1. Has (state) conducted any specific research in this area?

2. Has (state) produced any brochures, pamphlets, etc., targeted at these students and/or their parents?

3. Has (state) developed any informational programs directed at these students and/or their parents?

It was found that only four states had conducted any type of research regarding this topic. The four states were Illinois, Pennsylvania, Rhode Island, and Virginia. However, twenty-seven states have produced or are in the process of producing some type of brochure or pamphlet targeted at junior high-school students and/or their parents. Twenty-three states have begun developing or have developed informational programs targeted at one or both groups. Results from this survey can be found in TABLE 10 on the following page.

Each state which had produced some type of brochure targeted at junior high school students and/or their parents has sent the Illinois State Scholarship Commission a copy. Thus, ISSC now has a library in its Springfield office containing the various state brochures targeted at this clientele.

TABLE 10
ILLINOIS STATE SCHOLARSHIP COMMISSION
**STATE SURVEY-JUNIOR HIGH SCHOOL STUDENTS-RESEARCH ON FAMILY ACADEMIC AND FINANCIAL PLANNING

	States	Conducted Research	Produced Brochures	Developed Programs	Will Send Materials	Other Agy Involved	Comments
		YES/NO	YES/NO/IP*	YES/NO/IP*	YES/NO		
1.	Alabama	No	No	No			
2.	Alaska	No	No	No			
3.	Arizona	No	Yes	Yes	Yes	Bd of Reg.	
4.	Arkansas	No	Yes	Yes	Yes		-grant used to start this up-have a video tape
5.	California	No	Yes	Yes	Yes		-matching funds 1-1 by legis. and colleges
6.	Colorado	No	IP	IP			-banks-working on brochures--family academic planning
7.	Conneticut	No	No	No			
8.	Delaware	No	No	No			
9.	D.C.	No	No	No			
10.	Florida	No	Yes	Yes	Yes	Cnty only	-programs at county level only-no state effort
11.	Georgia	No	IP	IP	Yes		-have only discussed a group of advisors- jr&sr materials sent
12.	Hawaii	No	Yes	Yes	Yes	St Dpt Ed	-booklet to be used in 'guidance class' then home to parents
13.	Idaho	No	Yes	IP	Yes		-admission standard posters-no state financial assistance
14.	Illinois	Yes	No	No			
15.	Indiana	No	No	No			-task force has been named-embryonic stage

**State Source taken from 1986 NASSGP Directory
*IP=In Process

States	Conducted Research	Produced Brochures	Developed Programs	Will Send Materials	Other Agy Involved	Comments
	YES/NO	YES/NO/IP*	YES/NO/IP*	YES/NO		
16. Iowa	No	IP	IP	Yes		-In conjunction with ACT Advisory Council
17. Kansas	No	No	No			
18. Kentucky	No	No	No			
19. Louisiana	No	No	No			
20. Maine	No	No	No			
21. Maryland	No	IP	IP		Bd High.Ed	-state-wide plan recommending 9th get info coll entry curric.
22. Massachusetts	No	Yes	No	Yes		
23. Michigan	No	IP	IP	Yes		-legis approp for 9th grades- draft being field tested
24. Minnesota	No	Yes	Yes	Yes		-also a scholarship enrichment program-8th grds- based on need
25. Mississippi	No	No	No			
26. Missouri	No	IP	IP	Yes	El&Sec Dpt	
27. Montana	No	No	No			
28. Nebraska	No	No	No			
29. Nevada	No	No	No			
30. New Hampshire	No	No	No			
31. New Jersey	No	No	No			
32. New Mexico	No	No	No			
33. New York	No	IP	IP	Yes		-working w/ unions,city council, comm.act.org-mostly financial Early Awareness Programs

*IP=In Process

States	Conducted Research	Produced Brochures	Developed Programs	Will Send Materials	Other Agy Involved	Comments
	YES/NO	YES/NO/IP*	YES/NO/IP*	YES/NO		
34. North Carolina	No	No	No	Yes		-residual bene. from mtg target at minority youth-will send
35. North Dako a	No	Yes	Yes	Yes		-academic planning only
36. Ohio	No	Yes	Yes	Yes	St Bd Ed	-joint effort-academic prep-math test-compar entry req
37. Oklahoma	No	No	No			
38. Oregon	No	Yes	Yes	Yes	Ore.Off of Schl Relat	-early fin.plan. next yrs approp MI families - maternity wards
39. Pennsylvania	Yes	No	No	Yes		
40. Rhode Island	Yes	Yes	Yes	Yes		-nothing formal-just considering
41. South Carolina	No	No	No			-forming ad-hoc comm-just getting started
42. South Dakota	No	No	No			
43. Tennessee	No	No	No			
44. Texas	No	Yes	No	Yes		
45. Utah	No	Yes	No	Yes		-financial planning-targeted at 2nd & 3rd graders' families
46. Vermont	No	Yes	Yes	Yes		-outreach programs at middle schools
47. Virginia	Yes	Yes	Yes	Yes	Dpt of Ed	-parent work-shops&series of pub. 5th one to be dissem at hospitals
48. Washington	No	Yes	IP	Yes	Wash Super of Pub Inst	-Wash.GSL Assoc Program-Counc. P.Sec.Ed is waiting for results
49. West Virginia	No	Yes	Yes	Yes		-pamphlet,thought-provoking exercises to stimulate thinking
50. Wisconsin	No	Yes	No	Yes	Univ Wisc System	
51. Wyoming	No	Yes	Yes	Yes		-state institit.all open admiss. suggest classes should have
TOTALS YES -	4 - 8%	20 - 39%	14 - 27%	27		
NO -	47 - 92%	24 - 47%	28 - 55%	-		
IP -	- -	7 - 14%	9 - 18%	-		

*IP=In Process

PARENTS AND ACCESS TO FINANCIAL AID

by
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Assistant Director
Department of Survey Design and Analysis
American Medical Association

This presentation entitled, "Parents and Process of Gaining Access to Student Financial Aid" can be referenced in the Journal of Higher Education, Volume 55, Number 4, July/August 1984 edition. It is coauthored by Rachel A. Rosenfeld.

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FAMILY CONTRIBUTIONS TOWARD HIGHER EDUCATION EXPENSES: THEIR AMOUNTS, SOURCES, AND IMPACTS

A Preliminary Report from the
College Scholarship Service (CSS)
Family Financing Survey

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October 1985

INTRODUCTION AND BACKGROUND

Purpose of the Survey Project

Since standard need analysis for financial aid was introduced some thirty years ago, financial aid administrators, policy makers, and program managers have sought to develop sensitive and effective estimates of the family's ability to pay for college. The approach to date has been largely normative: the expected contributions reflect the amounts policy makers and administrators believe families in certain circumstances should contribute before any student financial aid is provided. Ultimately, however, the expected contribution calculations must also take into consideration what families actually do provide. A proper balance must be maintained between expected and actual contribution levels if student financial aid programs are to achieve their intended objectives.

In this connection, questions continue to be raised about the appropriateness of the formula for assessing ability to contribute currently embodied in the Uniform Methodology (UM). How well do UM and institutionally-adjusted expectations correspond to the amounts actually contributed? What are the primary sources of the family's contribution -- current income, borrowing, savings or asset reduction? How do families alter spending, investment, and savings choices when confronted with the expenses of college enrollment? Does the amount a family contributes differ according to student characteristic (e.g., field of study, sex) or institutional attribute (e.g., control, perceived quality)?

The CSS Family Financing Survey was designed to answer many of these questions. In particular, this study was designed to ascertain how much families actually contribute (as distinct from the standard need analysis expectations), how parents and students identify the income and asset sources of their contributions, and how overall consumption, savings, and investment patterns are related to the amounts actually contributed. An additional product of the investigation is information about the adjustments that the financial aid administrator makes to the results of central need analysis processing.

Although interest in the family's capacity to pay for college expenses dates at least to the origins of the College Scholarship Service, studies of the actual amount and sources of family contributions have been few in number and limited in scope. Most are inadequate to address the questions raised here. The CSS Family Financing Survey has collected institutional and family-reported information in order to more directly address these questions.

Survey Design

The CSS Family Financing Survey was designed to obtain information from families about the amounts, sources, and impact of the actual family contribution and information from institutions about adjusted expected contributions and the financial aid awarded. Several strategies were considered for obtaining such data, including the use of diaries and focus groups. In the final evaluation of options, however, a strategy of sequential, linked, family-level surveys of institutional records about families, as well as of the families themselves, offered the best mix of reasonable cost and useful results.

The study is based on a survey of the families of students who filed the Financial Aid Form (FAF) with the College Scholarship Service for the 1984-85 academic year. The survey design called for an achieved sample of 3,000 FAF filers at 95 randomly selected institutions. At the first stage, a replicated stratified cluster sampling method was used to select institutions, with probabilities of selection proportional to the estimated number of FAF filers attending the institution. At the second stage of selection, FAF filers applying to each institution were selected to yield a constant overall selection rate for the two stages.

Once the sample was selected, financial aid offices were asked to supply supplementary information from the records of applicants enrolled at least half time. The institutional questionnaires requested information on the student's attendance and residency status, budgeted costs of attendance, financial aid received through or recorded by the aid office, and the centrally calculated Uniform Methodology family contribution, the institution's adjustment to the UM figure, if any, and the reasons for the adjustment.

In order to ensure each family's careful attention to its estimates of total costs of attendance and non-family sources of financing, the institution's detailed cost and student aid figures were entered onto the family survey questionnaire in such a way that families were asked to work through the budget and financial aid calculation to derive the amount they and their children actually provided <u>after</u> financial aid was deducted from costs. Families were asked to review the institutionally-provided figures, making changes where appropriate. In addition, the family questionnaire requested information on the student's field of study, college grades, sex, amounts and changes in the family's consumption expenditure items, sources of income, changes in the value of assets and the amount of debt, assessment of the fairness of the contribution, assessment of their current standard of living, and assessment of the quality and relative cost of, and aid offered by, the institution attended. As a final step, information from the family questionnaire was merged with institutionally-provided data and all key-entered items from the applicant's FAF.

Survey Response Rates

All 95 of the selected institutions agreed to participate in the survey effort. The institutional sample included 47 four-year public schools, 12 two-year schools and 36 four-year private schools.

Of the 4,026 family questionnaires mailed in June, 1985, 2,508 were returned by late September, an overall response rate of 62 percent. Concentrated follow-up to achieve this rate was required. Through the summer months, non-respondents received three additional follow-up letters, another two letters with a questionnaire, and two phone calls. Despite these efforts, however, a disproportionately large number of responses from students enrolled in 2-year colleges proved unusable. For that reason, the sample of families with students attending two-year colleges has been excluded from the preliminary analysis. That group will be examined more closely at a later date to determine how best to utilize the information that was obtained. In addition, a very small number of responses (less than 50) were returned to CSS completely blank and had to be discarded. As a result of all these factors, the final response rate is 59.4 percent.

Family Financing Survey
Response Rate Analysis

POPULATION	NUMBER SURVEYED	NUMBER OF RESPONSES	RESPONSE RATE
Dependent Students			
Private - 4 yr.	1,331	866	65.1%
Public - 4 yr.	1,361	741	54.4%
Subtotal	2,692	1,607	59.7%
Self-Supporting Students			
Private - 4 yr.	175	94	53.7%
Public - 4 yr.	472	283	60.0%
Subtotal	647	377	58.3%
TOTAL	3,339	1,984	59.4%

A careful analysis of family responses, checking for completeness and consistency, revealed that these responses fell into one of several categories of quality, each of which can be associated with specific sections of the questionnaire (copy attached). Three levels of quality were established:

I. Families that completed Sections I, III, and IV (Background Information, Family Financial Information, and College Choice Information).

II. Families that <u>also</u> accurately completed Section II A, B, and C (Breakdown of College Costs, Financial Aid, and Computation of Family Contribution), to an error tolerance level of plus or minus $200.

III. Families that accurately completed <u>all</u> sections, including all parts of Section II D (Sources of Family Contribution), to an error tolerance level of plus or minus $200.

Using these criteria, the following response rates have been calculated for four-year schools:

SURVEY RESPONSE RATE

STUDENT TYPE	CATEGORY I (No.)	CATEGORY I (Percent)	CATEGORY II (No.)	CATEGORY II (Percent)	CATEGORY III (No.)	CATEGORY III (Percent)
Dependent	1607	60%	1266	47%	1122	42%
Self-Supporting	377	58%	285	44%	218	34%

The response rates for the three categories do not affect uniformly the preliminary findings reported here, as the following division suggests:

A. DIFFERENCES BETWEEN UNIFORM METHODOLOGY (UM), INSTITUTIONALLY-ADJUSTED, AND ACTUAL FAMILY CONTRIBUTIONS.

Discussion of the relationship between UM and institutional calculations can be conducted from the total universe because this data is available, even for non-respondents. Comparisons involving actual contribution levels, however, rely on Category II data.

B. PATTERNS IN REPORTED SOURCES OF FAMILY CONTRIBUTION BY SELECTED FAMILY, STUDENT, AND INSTITUTIONAL ATTRIBUTES.

This analysis requires Category III data.

C. PATTERNS IN OVERALL FAMILY FINANCES AND LIVING STANDARD ADJUSTMENTS BY LEVELS OF FAMILY CONTRIBUTION AND SELECTED FAMILY, STUDENT, AND INSTITUTIONAL ATTRIBUTES.

Category I data is used for this analysis.

Response Bias

A particular concern of the preliminary review of data has been to determine whether there is a bias in the responses that might affect the interpretation of the data and resultant findings. As a result, the responses were examined for possible bias by category across variables such as income, family contribution, institutional sector, and aid reported. This investigation showed that there appears to be a slight underrepresentation in the respondent population for families of lower income and wealth and a slight bias toward students enrolled in private institutions. This bias, although not extreme, manifests itself most specifically in that fewer responses were received from students and families from whom no contribution would have been expected, and, accordingly, there are disproportionately more responses from individuals from whom some amount of contribution would have been assessed.

As a result, it must be emphasized that these findings apply most specifically to those families from whom the need analysis system had expected a contribution, and one must be cautious in commenting on the behavior of families for whom no contribution was calculated.

PRELIMINARY FINDINGS

The highlights presented here come from preliminary analyses of the data obtained through the CSS Family Financing Survey. The research findings of the full study will be published in a report to be released by the College Board later this winter.

A. Institutional Adjustments to Centrally Processed Need Analysis Calculations

A key principle of our system of need analysis is that central calculations of a family's financial strength are a guide to, but not a substitute for, professional judgment by the financial aid administrator. In the final analysis, only that individual, located on the campus and in direct contact with the applicant, is in a position to make a determination about an individual family's ability to pay. Because this step of campus review intervenes between the central computation and the family's final decision about how it will pay for college costs, the survey collected information about adjustments made at the college to centrally-performed need analysis calculations.

As Higginbotham and Van Dusen observed in the final report of the 1984 CSS Survey of Undergraduate Need Analysis Policies, Practices, and Procedures (SUNAPPP), "Institutions responding to the survey indicated that the review of centrally processed need analysis resulted in changes in 21.6 percent of the cases." Preliminary results of the Family Financing Survey support this finding, but go further in separately examining the frequency of, reasons for, and consequences of such adjustments on contribution levels for both dependent and self-supporting students.

How frequently are contribution levels adjusted?

(See Tables I. and II.)

OVERALL

- Aid administrators adjust parental contributions for 25 percent of dependent students and family contributions for 27 percent of self-supporting students.

BY SECTOR

- For dependent students, private institutions adjust parental contributions about twice as frequently as public institutions (32 percent vs. 17 percent).

BY INCOME

- For dependent students, high income families are nearly twice as likely as low income families to have their centrally reported contributions reviewed and adjusted (28 percent vs. 18 percent).

- For dependent students, private colleges and universities are far more likely to vary the rate of adjustment across income groups than are public institutions.

- For self-supporting students, contributions from low income families are more likely to be revised than contributions from high income families (29 percent vs. 21 percent).

What are the reasons for making adjustments to centrally processed need analysis calculations?

(See Table III.)

OVERALL

- Nearly half of the adjustments to centrally processed contributions resulted from updated information (58 percent for dependent applications, 48 percent for self-supporting).

- Structural changes in the UM are the least frequently cited reason for altering the centrally-provided UM figure (14 percent for dependent, 24 percent for self-supporting).

BY DEPENDENCY

- Aid administrators are more likely to alter centrally processed UM contributions using professional judgment for dependent student applications than self-supporting student applications (44 percent vs. 26 percent).

- Structural changes in the UM are more likely to be made for self-supporting than dependent students (24 percent vs. 14 percent). It should be noted that this study is based upon 1984-85 academic year data, the first year of the recently instituted change in the self-supporting student methodology. The high frequency of structural changes in self-supporting student cases probably reflects aid administrators' initial uncertainty about the new methodology.

BY SECTOR

- Financial aid administrators at private colleges and universities appear to be more likely to make changes based on professional judgment than their colleagues at public institutions. This applies to both dependent and self-supporting student applications.

B. Patterns in Reported Sources of Family Contribution by Selected Family, Student, and Institutional Attributes

Perhaps the most interesting set of questions in the study probe the family's perceptions about the sources of its contribution. At the same time, however, these questions were the most difficult for families to answer (as indicated by a relatively large number of inconsistent responses) and are, therefore, the most problematic for evaluation and interpretation. In this context, moreover, there is a "validity" question about virtually all of the responses because two families may interpret the same financing decision differently. For example, a family that placed the proceeds of a sale of securities into a savings account in anticipation of college expenses later in the year might only list savings as a source of the contribution (not the sale of the securities), but the second family might report the same action in an opposite manner. As a result, without detailed case interviews, it is almost impossible to clearly link changes in family finances with a specific expenditure. Nonetheless, the responses do provide some indication of the extent to which families have consciously drawn from identified sources for their contributions.

How frequently are particular sources utilized to meet college expenses?

(See Tables IV. and V.)

OVERALL

- Across both sectors and for both dependent and self-supporting students alike, large proportions of families use current income to meet their contributions. Specifically, 74 percent of dependent students' families and 78 percent of self-supporting students' families cite current income as a source.

- For dependent students, nearly half meet some of the contribution from their current income (other than earnings from work provided through financial aid programs).

- Reductions in assets, through savings withdrawals or the sale of securities or other assets, are cited as contribution sources by about one-third of families. For dependent students, parents' assets are identified by 33 percent of the respondents and student assets by 26 percent. Among self-supporting students, 32 percent draw from their own assets.

- Borrowing by parents or students is listed as a source by 17 percent of families with dependent students and 20 percent of the self-supporting students. Importantly, this is borrowing <u>in addition to</u> amounts provided through student aid programs.

- The student's spouse represents a significant source of support for self-supporting students, with 28 percent of such families listing spouse resources as a source.

BY SECTOR

- Generally there are only modest differences in the use of identified sources associated with attendance at a public or private college or university. Parents of dependent students attending private colleges are somewhat more likely to draw on assets (36 percent vs. 28 percent), and are also more likely to borrow (21 percent vs. 12 percent). Self-supporting students at private colleges are more likely to tap their own assets (36 percent vs. 31 percent) and their spouses' resources (36 percent vs. 25 percent).

BY INCOME (DEPENDENT ONLY)

- Higher income families are more likely than lower income families to cite parents' current income (81 percent vs. 61 percent), parents' assets (44 percent vs. 17 percent), and parents' borrowing (21 percent vs. 13 percent) as contribution sources.

What proportions of the family contribution are met through identified sources?

(See Tables VI. and VII.)

OVERALL

- Families fund the largest share of the contribution through current income. For dependent students, parents' income provides 44 percent of the contribution, and 20 percent comes from the student's own income. For self-supporting students, the share provided through current income is 54 percent.

- Other sources furnish relatively small amounts of the contribution. Parents' and student's assets account for 22 percent, on average, of the contribution in dependent cases. Student assets account for 11 percent of the self-supporting student's contribution.

- For self-supporting students, spouse's resources are important, covering an estimated 18 percent of the average contribution.

BY SECTOR

- For dependent students, contributions from parents' assets and borrowing are relatively more important at private than public institutions. Together, these sources provide 39 percent of the contribution at private colleges, and some 18 percent of the contribution at public institutions.

BY INCOME (DEPENDENT ONLY)

- Higher income families provide relatively greater shares of their contributions from parental income and assets than do lower income families, by margins of 47 percent to 36 percent and 21 percent to 8 percent, respectively.

- Lower income families, on the other hand, provide relatively greater shares of their contributions through student income and help from other relatives by margins of 31 percent to 13 percent and 7 percent to 1 percent.

C. Patterns in Overall Family Finances and Living Standard Adjustments

To what extent do changes in such areas as consumption, borrowing and investment appear to be associated with differences in the actual family contribution? The CSS Family Financing Survey asked a series of questions attempting to discover patterns in the underlying changes in family finances. In reacting to these findings, however, one must keep in mind that the responses represent impressionistic data since they depend on family recollections and perceptions. In reality, truly accurate information could only be obtained through more direct research approaches such as expenditure diaries or personal interviews.

Among families paying for a college education, have spending patterns or financial circumstances been altered?

(See Tables VIII. and IX.)

- Overall, 69 percent of the families of dependent students report that their spending has decreased or remained stable in at least four of the six essential spending categories, defined as food eaten at home, clothing, housing, insurance, medical expenses, and transportation.

- Self-supporting students displayed the same pattern of behavior for their consumption of essentials, with 72 percent reporting no change or a decrease in spending on these items. Again, there is little variation among income groups and by institutional sector.

- Somewhat less than one in two families report a decrease in outlays for at least two of the three discretionary items, defined as eating out, vacations, and entertainment (48 percent of dependents, 42 percent of self-supporting students).

- Forty-six percent of self-supporting students report a decrease in consumption of discretionary items, with a more discernible difference at private colleges (59 percent) as compared with public institutions (42 percent).

- About half of all families indicate a decrease in their net worth during the year the student is enrolled. The proportion is somewhat higher for self-supporting students than for dependents (56 percent to 44 percent). For dependents, the proportion is higher at private colleges than at public institutions (47 percent vs. 41 percent).

- Among families of dependent students, there was some variation between income levels, with 38 percent reporting that they believed their net worth decreased at the lowest income level, compared to 48 percent at the highest level reporting similarly. The difference between sectors was small, 47 percent at private institutions contrasted to 41 percent at public institutions.

D. Overall Fairness of Contribution

How do families paying for college view their contribution toward such expenses?

(See Table X.)

- About half (52 percent of dependent, 48 percent of self-supporting) feel the expected contribution is too high. The remainder view the contribution as "about right" or too low.

- Generally, those at private colleges are more likely to feel that their contributions were too high. For dependents, 57 percent of families with students at private colleges judge the contribution as "too high"; the comparable share for families with public college students is 46 percent. A roughly similar pattern appears for self-supporting students.

TABLE I

Adjustments to the Uniform Methodology
Parents' Contributions for Dependent Students

Percent Adjusted

TOTAL INCOME	FOUR-YEAR PRIVATE	FOUR-YEAR PUBLIC	TOTAL
0 - 17,999	17%	18%	18%
18,000 - 26,999	33%	18%	25%
27,000 - 38,999	41%	20%	30%
39,000 or more	39%	11%	28%
TOTAL	32%	17%	25%

TABLE II

Adjustments to the Uniform Methodology
Family Contributions for Self-Supporting Students

Percent Adjusted

TOTAL INCOME	FOUR-YEAR PRIVATE	FOUR-YEAR PUBLIC	TOTAL
0 - 999	24%	31%	29%
1,000 - 4,999	33%	29%	30%
5,000 or more	12%	25%	21%
TOTAL	23%	29%	27%

TABLE III

Reasons for Adjusting the Uniform Methodology

DEPENDENT STUDENTS	Four-Year Private	Four-Year Public	Total
Updated Information Received After FAF Processing	57%	59%	58%
Aid Administrator Exercised Professional Judgment	52%	29%	44%
Structural Change in Uniform Methodology Calculation	18%	7%	14%
SELF-SUPPORTING STUDENTS			
Updated Information Received After FAF Processing	53%	46%	48%
Aid Administrator Exercised Professional Judgment	34%	24%	26%
Structural Change in Uniform Methodology Calculation	26%	23%	24%

TABLE IV

Sources Used to Meet Actual Family Contributions
by Type of Institution

Percent of Families Using Source
(In Descending Order of Frequency Used)

DEPENDENT STUDENTS	Four-Year Private	Four-Year Public	Total
Parents' Current Income	75%	74%	74%
Student's Current Income	49%	49%	49%
Parents' Assets	36%	28%	33%
Student's Assets	26%	25%	26%
Parents' Borrowing	21%	12%	17%
Other Relatives	10%	13%	11%
Student's Spouse	2%	1%	1%
Other Sources	1%	1%	1%
SELF-SUPPORTING STUDENTS			
Student's Current Income	76%	79%	78%
Student's Assets	36%	31%	32%
Student's Spouse	36%	25%	28%
Student's Borrowing	19%	21%	20%
Parents	17%	18%	18%
Other Relatives	14%	8%	9%
Other Sources	2%	1%	1%

TABLE V

Sources Used to Meet Actual Family Contributions by Family Income

Percent of Families Using Source
(In Descending Order of Frequency For All Families)

DEPENDENT STUDENTS	0–17,999	18,000–26,999	27,000–38,999	39,000 or more	Total
Parents' Current Income	61%	73%	80%	81%	74%
Student's Current Income	52%	47%	46%	51%	49%
Parents' Assets	17%	28%	39%	44%	33%
Student's Assets	24%	24%	27%	26%	26%
Parents' Borrowing	13%	14%	20%	21%	17%
Other Relatives	20%	8%	9%	8%	11%
Student's Spouse	2%	1%	2%	2%	2%
Other Sources	1%	1%	0	1%	1%

NOTE: For self-supporting students, cell sizes are too small to draw conclusions without weighting.

TABLE VI

Percentage of Actual Contribution Met
by Identified Sources by Type of Institution

(In Descending Order of Proportion)

DEPENDENT STUDENTS	Four-Year Private	Four-Year Public	Total
Parents' Current Income	44%	44%	44%
Student's Current Income	17%	23%	20%
Parents' Assets	18%	12%	15%
Parents' Borrowing	11%	6%	9%
Student's Assets	6%	9%	7%
Other Relatives	3%	4%	3%
Student's Spouse	0	1%	1%
Other Sources	0	0	0
SELF-SUPPORTING STUDENTS			
Student's Current Income	44%	57%	54%
Student's Spouse	23%	16%	18%
Student's Assets	13%	10%	11%
Student's Borrowing	8%	7%	7%
Parents	7%	5%	6%
Other Relatives	5%	2%	3%
Other Sources	1%	0	1%

NOTE: Totals do not equal 100% due to rounding.

TABLE VII

Percentage of Actual Contribution Met by Identified Sources by Family Income

(In Descending Order of Proportion For All Families)

DEPENDENT STUDENTS

	0-17,999	18,000-26,999	27-000-38,999	39,000 or more	Total
Parents' Current Income	36%	47%	46%	47%	44%
Student's Current Income	31%	20%	17%	13%	20%
Parents' Assets	8%	15%	17%	21%	15%
Parents' Borrowing	7%	7%	9%	11%	9%
Student's Assets	8%	7%	8%	5%	7%
Other Relatives	7%	2%	2%	1%	3%
Student's Spouse	1%	1%	0	0	1%
Other Sources	0	0	0	0	0

NOTE: For self-supporting students, cell sizes are too small to draw conclusions without weighting. Totals do not equal 100% due to rounding.

TABLE VIII

Consumption Patterns

	Four-Year Private	Four-Year Public	Total
DEPENDENT STUDENTS			
Essential Spending (percent whose spending has decreased or stayed the same)	71%	68%	69%
Discretionary Spending (percent whose spending has decreased)	48%	48%	48%
SELF-SUPPORTING STUDENTS			
Essential Spending (percent whose spending has decreased or stayed the same)	78%	71%	72%
Discretionary Spending (percent whose spending has decreased)	42%	59%	46%

DEFINITIONS: Essential spending areas = food eaten at home, clothing, housing, insurance, medical expenses, and transportation.

Discretionary spending areas = eating out, vacations, and entertainment.

TABLE IX

Family Finance Patterns — Net Worth
Percent of Families Whose Net Worth Has Decreased

	Four-Year Private	Four-Year Public	Total
Dependent Students	47%	41%	44%
Self-Supporting Students	58%	55%	56%

TABLE X

Perceptions of Family Contributions
Percent of Families Who Perceive Their Contributions As Too High

	Four-Year Private	Four-Year Public	Total
Dependent Students	57%	46%	52%
Self-Supporting Students	61%	44%	48%

CSS Family Financing Survey

Family Questionnaire for Dependent Students

A survey sponsored by
The College Scholarship Service
of The College Board

Thank you for agreeing to participate. This questionnaire should be completed by one of the parents of the student whose name appears on the above label. Your responses are important to us in our effort to understand how families actually pay for college.

Please answer all questions in terms of the 1984-85 academic year. Remember that your responses will be kept confidential; they will NOT be reported to the college the students attends. The questionnaire should take you about 20 minutes to complete.

Return the questionnaire in the enclosed postage-paid envelope to:

CSS Family Financing Survey
College Scholarship Service
CN 6325
Princeton, NJ 08540-9825

We appreciate your cooperation.

Section 1. Background Information

Respond to the following questions by circling one letter for each.

1. What is the student's sex?

   A Female
   B Male

2. How many children are there in your family who are older than this student?

   A None
   B 1
   C 2
   D 3
   E 4
   F 5 or more

3. How many children are there in your family who are younger than this student?

   A None
   B 1
   C 2
   D 3
   E 4
   F 5 or more

4. Which of the following best describes the student's chosen or probable field of study? (Circle one from either the Academic or Vocational/Technical column.)

Academic		Vocational/Technical	
A	Agriculture	L	Agricultural
B	Business	M	Aviation/Mechanical
C	Education	N	Computer/Electronic
D	Engineering/Computer Science	O	Construction
E	Health	P	Health
F	Humanities	Q	Office/Secretarial
G	Physical Sciences/Mathematics	R	Sales
H	Pre-Law	S	Other Vocational/Technical
I	Pre-Med/Pre-Dental		(specify) _____
J	Social Sciences		
K	Other Academic (specify) _____		

5. Does the student plan to attend a graduate or professional school after graduation?

A	No	E	Yes, in medicine or dentistry
B	Not sure	F	Yes, in engineering
C	Yes, in arts and sciences	G	Yes, in another field (specify)
D	Yes, in law or business		_____

6. Which of the following best describes the student's grades so far in college?

A	Mostly A	F	Mostly C-
B	Mostly B+	G	Mostly D
C	Mostly B	H	Does not take courses for which grades are given
D	Mostly C+	I	Don't know
E	Mostly C		

Section II. College Finances, 1984-85

A. College Costs

Column A contains 1984-85 academic year estimates for the student. These estimates were made by the college the student attends. Please check these figures against your own records. If your figures DO NOT agree with the estimates made by the college, enter your estimate in Column B, and write a brief note of explanation in Column C. Then transfer the amounts you agree with in Column A to Column B. Be sure to calculate a new total on line 5 if you have made any changes on lines 1 through 4.

	Column A (College's estimate)	Column B (Your estimate)	Column C (Explanation, if you have changed an entry)
1. Tuition	$_____.00	$_____.00	
2. Room	$_____.00	$_____.00	
3. Board	$_____.00	$_____.00	
4. All other expenses (Books, personal expenses, travel, etc.)	$_____.00	$_____.00	
5. Total College Expenses	$_____.00	$_____.00	

From 5A or 5B, enter the correct total here: $_____.00 II A TOTAL

B. Financial Aid

Column A below shows the financial aid the student received for the 1984-85 academic year. This information was provided by the college the student attends. If this information does not agree with your records, please enter what you believe to be correct in Column B. Then transfer the correct amounts in Column A to Column B. Add any sources of support that have not been listed by the college, in the fourth section (All Other Aid) of Column B. Be sure to calculate a new total on line 5 if you have made any changes in 1 through 4.

	Column A (College's record)	Column B (Your estimate)
1. FEDERAL AID		
a. Pell Grant	$_____.00	$_____.00
b. Supplemental Educational Opportunity Grant (SEOG)	$_____.00	$_____.00
c. National Direct Student Loan (NDSL)	$_____.00	$_____.00
d. College Work-Study (CWS)	$_____.00	$_____.00
e. Guaranteed Student Loan (GSL)	$_____.00	$_____.00
f. Parent Loan for Undergraduate Students (PLUS)	$_____.00	$_____.00
g. ROTC Scholarship	$_____.00	$_____.00
h. Veteran's Payments	$_____.00	$_____.00
i. Other Federal Aid	$_____.00	$_____.00
2. STATE AID		
a. Need-Based Grant	$_____.00	$_____.00
b. Non-Need Based Grant or Scholarship	$_____.00	$_____.00
c. Rehabilitation Grant	$_____.00	$_____.00
d. Other State Aid	$_____.00	$_____.00

Total Family Contribution for Education

1. Including the student named in this questionnaire, you and your spouse, and all of your dependent children, how many people are in your household? (Include others only if they depend on you for more than half of their support.) _____

2. Including the student named in the questionnaire, how many children in this household were enrolled in 1984-85 in programs of postsecondary education? _____

3. What is the total amount you (and your spouse) paid for expenses of postsecondary education this (1984-85) school year...

   a. for all of the children in this household? $_____.00

   b. for you and your spouse? $_____.00

tion III. Family Financial Information

Respond to the following questions by circling one letter for each, or by entering an amount or "0" on the line provided.

1. What is the total amount of your monthly mortgage or rent payments? (Include property tax if you own your home.) $_____.00

2. About how much do you pay each month for heat, electricity, and water? (If part of your utilities are included in your rent, enter only the amount that you pay. If all of your utilities are included in your rent, enter "0".) $_____.00

3. What model year is your newest family car, truck, or van?

   A We have none
   B 1985
   C 1984
   D 1983
   E 1982
   F 1981 or earlier

4. If you are making payments on one or more cars, trucks, or vans, what is the total amount you pay monthly? (If you have no payments, enter "0".) $_____.00

5. What are your total monthly payments for loans other than car and mortgage payments? (Include payments on credit cards. If you have no other monthly loan payments, enter "0".) $_____.00

6. About how much do you pay each month for insurance? (Include life, health, disability, automobile, and homeowners or renters insurance. If you have no insurance payments, enter "0".) $_____.00

7. Which of the following were sources of your income during the 1984-85 school year? (Check one box on each line.)

	Yes	No
a. Your wages or income from self-employment	[ ]	[ ]
b. Your own wages from a second job	[ ]	[ ]
c. Your spouse's wages or income from self-employment	[ ]	[ ]
d. Your spouse's wages from a second job	[ ]	[ ]
e. Interest on savings	[ ]	[ ]
f. Rent from property you own	[ ]	[ ]
g. Contributions from your children	[ ]	[ ]
h. Contributions from your parents or other relatives	[ ]	[ ]
i. Veteran's benefits, social security, or disability payments to one or more members of your household	[ ]	[ ]
j. Sale of property, stocks, or other assets	[ ]	[ ]
k. Other (specify) _____	[ ]	

8a. Over the past year, has the total value of what you own (your home, stocks, bonds, savings accounts, amounts vested in pensions or IRA-type retirement plans, business or farm, autos, boats or RV's) changed or stayed about the same?

   A Total value has increased
   B Total value has stayed the same
   C Total value has decreased
   D Don't know
   E Don't own any of the above (Go to Question 9a.)

	Column A (College's record)	Column B (Your estimate)
3. INSTITUTIONAL AID		
a. Need-Based Grant	$ .00	$ .00
b. Non-Need Based Grant	$ .00	$ .00
c. On-Campus Earnings	$ .00	$ .00
d. Loans	$ .00	$ .00
e. Other Institutional Aid	$ .00	$ .00
4. ALL OTHER AID		
a. Grants	$ .00	$ .00
b. Loans	$ .00	$ .00
5. SUM OF ALL INSTITUTIONAL, FEDERAL, STATE, AND OTHER AID	$ .00	$ .00

From 5A or 5B, enter the correct total here: $ .00 II B TOTAL

C. Family Contribution

Enter the correct totals obtained in Sections IIA and IIB on Lines 1 and 2. By subtracting you will determine the amount that you (and the student) will have paid during 1984-85. Enter the amount on Line 3.

1. ENTER TOTAL COLLEGE EXPENSES (II A TOTAL) $ .00
2. MINUS TOTAL FINANCIAL AID (II B TOTAL) -$ .00
3. EQUALS FAMILY CONTRIBUTION -$ .00 II C TOTAL

D. Sources of Family Contribution

We are interested in how your family has provided or is providing the amount entered in Box IIC at the bottom of the previous page. Listed below is a set of possible sources of funds that you may have used or may be using to pay for the student's education. Look over the entire list first to get an idea of the categories included. Then write in the amounts you have provided from each of the sources during the 1984-85 school year. Enter an amount or "0" on each line. THE TOTAL FROM ALL LISTED SOURCES SHOULD ADD UP TO THE AMOUNT ENTERED IN BOX IIC.

SOURCE OF CONTRIBUTION	TOTAL AMOUNT
1. Amount from parents' current income from wages or self-employment or from non-wage sources (e.g., interest, dividends, rent)	$ .00
2. Amount from parents' savings or sale of parents' assets (e.g., property, stocks, bonds, fund shares, possessions)	$ .00
3. Amount from parents' borrowing (e.g., personal loan, second mortgage, credit card balance) DO NOT include Parent Loan for Undergraduate Students (PLUS)	$ .00
4. Amount from student's current income from wages or self-employment or non-wage sources (interest, dividends, rent) Exclude earnings from employment provided through the financial aid office	$ .00
5. Amount from student's savings or sale of student's assets	$ .00
6. Amount from student's spouse's income, student's spouse's assets, or student's spouse's borrowing	$ .00
7. Amount from grandparents or other relatives	$ .00
8. Amount from any other source(s) (please describe)	$ .00
_____	
_____	
_____	
TOTAL OF ALL ITEMS (SHOULD BE EQUAL TO FAMILY CONTRIBUTION ENTERED IN BOX IIC).	$ .00

501

8b. If the total value of what you own has changed over the past year, by how much has it changed?

A No change

B $2,499 or less

C $2,500 to $4,999

D $5,000 to $9,999

E $10,000 to $24,999

F $25,000 or more

G Don't know

9a. Over the past year, has the total amount you owe on loans of all types (mortgages, personal loans, credit card balances, auto or other secured loans, borrowing from life insurance policies, borrowing from brokerage firms) changed or stayed about the same?

A Total amount owed has increased

B Total amount owed has stayed the same

C Total amount owed has decreased

D Don't know

E Don't have any loans (Go to Question 10.)

9b. If the total amount you owe has changed over the past year, by how much has it changed?

A No change

B $2,499 or less

C $2,500 to $4,999

D $5,000 to $9,999

E $10,000 to $24,999

F $25,000 or more

G Don't know

10. Allowing for inflation, would you say that your family's spending over the past year in each of the following areas has increased, decreased, or stayed the same? (Check one box on each line.)

	SPENDING HAS		
	Increased	Stayed about the same	Decreased
a. Food eaten at home	[ ]	[ ]	[ ]
b. Eating out	[ ]	[ ]	[ ]
c. Clothing	[ ]	[ ]	[ ]
d. Housing	[ ]	[ ]	[ ]
e. Insurance	[ ]	[ ]	[ ]
f. Medical expenses	[ ]	[ ]	[ ]
g. Transportation	[ ]	[ ]	[ ]
h. Vacations	[ ]	[ ]	[ ]
i. Entertainment	[ ]	[ ]	[ ]

11. Considering your family's circumstances, how would you assess the amount of your actual contribution toward the college expenses of the student mentioned in this questionnaire?

A Contribution is much too high

B Contribution is too high

C Contribution is about right

D Contribution is too low

E Contribution is much too low

12. How would you describe your current standard of living?

A Affluent

B Comfortable

C Adequate

d struggling

E Impoverished

Section IV. Choice of College

Respond to the following questions by circling one letter for each.

1. How would you rate the quality of the college the student attends?

   A Excellent

   B Good

   C Fair

   D Poor

2. How would you rate the prestige of the college the student attends?

   A High

   B Moderate

   C Low

3. To what extent was cost a factor in the student's selection of colleges to apply to?

   A Cost was the most important factor

   B Cost was one of several factors

   C Cost was not a factor

   D I don't know

If the student was accepted at only one college, GO TO SECTION V.

If the student was accepted at more than one college, PLEASE COMPLETE THE REMAINING QUESTIONS.

4. How did the college the student is attending rank with respect to all of the colleges to which the student was accepted?

   A It was the student's first choice

   B It was the student's second choice

   C It was the student's third or lower choice

   D I don't know

5. How would you compare the quality of the college the student attends with the quality of the college that the student was next considering among the colleges to which the student was accepted?

   A College attended is much better

   B College attended is slightly better

   C They are both about the same

   D Other college is slightly better

   E Other college is much better

6. Taking into account any financial aid offered to the student, how would you compare the costs of the college the student attends with the costs of the college that the student was next considering?

   A College attended is much less expensive

   B College attended is slightly less expensive

   C They are about the same

   D Other college is slightly less expensive

   E Other college is much more expensive

7. Did the student receive offers of financial aid from any college to which the student was accepted?

   A No - GO TO SECTION V.

   B Yes, but only from the college the student is attending GO TO QUESTION 9.

   C Yes, from more than one college

8. To the best of your ability, compare the financial aid packages offered by the college the student attends and the college the student considered next. (Check one box on each line.)

	THE COLLEGE STUDENT ATTENDS OFFERED		
	More	About the Same	Less
Total Aid	[ ]	[ ]	[ ]
Scholarship/Grant	[ ]	[ ]	[ ]
College-Provided Work	[ ]	[ ]	[ ]
Student Loan Funds in Financial Aid Package	[ ]	[ ]	[ ]

503

9. If financial aid were cut significantly for this student, would you or the student seriously consider making any of the following changes? (Check one box on each line.)

	Yes	No	Don't know
1. Transferring to a less expensive college....	[ ]	[ ]	[ ]
2. Dropping out of college.....	[ ]	[ ]	[ ]
3. Attending college part-time.....	[ ]	[ ]	[ ]
4. Deciding not to attend graduate or professional school.....	[ ]	[ ]	[ ]
5. Refinancing your home.....	[ ]	[ ]	[ ]
6. Other borrowing for the first time or increasing current levels of borrowing.....	[ ]	[ ]	[ ]
7. Selling property, stocks, or other assets...	[ ]	[ ]	[ ]
8. Something else (Specify?)	[ ]		

_____

Section V. The following questions are about the person who completed this questionnaire.

1. What is your sex?

   A Female

   B Male

2. What is your relationship to the student mentioned in the questionnaire?

   A Self

   B Parent

   C Other relative (specify) _____

   D Legal guardian

   E Other (specify) _____

3. What is your principal occupation?

   A Student

   B Farmer

   C Unskilled worker

   D Skilled or semiskilled worker

   E Clerical or sales worker

   F Managerial worker, or self-employed

   G Professional worker

   H Other (specify)_____

4. What is (was) the highest level of education you completed?

   A Less than eighth grade

   B Eighth grade

   C High school

   D Some formal education beyond high school, no degree

   E Two-year degree

   F Four-year degree

   G Some post baccalaureate training, no degree

   H A graduate degree (e.g., MS, MA, PhD, MD)

If you have anything you would like to add, use the back of the questionnaire for this purpose.

THANK YOU FOR YOUR HELP

Please return the questionnaire
in the enclosed postage-paid envelope.

Touche Ross

Washington, D.C.

Loan Planning Models For State Agencies –

What Insurance Fee Charge Is Required To Maintain An Adequate Reserve Fund Balance?

NASSGP/NCHELP

1986 Research Conference

May 30, 1986

212

Paul G. Marble

213

505

Touche Ross
Washington, D.C.

Loan Planning Models For State Agencies –

What Insurance Fee Charge Is Required To Maintain An Adequate Reserve Fund Balance?

NASSGP/NCHELP

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Paul G. Marble
(202) 955-4000

What is the Objective of this Presentation?

- To explain the steps that must be performed to determine the appropriate level of insurance fee charges to students
- To demonstrate how a change in the insurance fee affects an agency's reserve fund balance over a ten-year projection period

Why is it Important for all Guarantee Agencies to Reconsider the Level of Insurance Fee Charges to Students?

- Many guarantee agencies have reserve fund balances that have increased substantially in recent years
- According to GAO, some agencies have reserve fund balances that appear to be excessive
- There is pressure from some quarters within the Federal government to reduce the level of support to student loan programs
- All other involved parties would also like to see a fair and equitable insurance fee charge

The challenge to agency management is to determine an adequate insurance fee in the context of their particular state and situation

How Can This Be Done?

- A five-step process must be performed:
  - —Accumulate historical data for use in a financial model
  - —Develop baseline assumptions from historical data
  - —Validate financial model using baseline assumptions
  - —Test sensitivity to changes in assumptions
  - —Assemble results for presentation to management and/or governing board and/or legislative committee and/or media

Step #1: Accumulate Historical Data for Use in a Financial Model

- Loan volumes for each year of historical period
- Defaults and claims as a percentage of the original loan volume for specific years
- Timing and amount of funds collected
- Reinsurance rates for historical period
- Administrative costs and information about the reasons for expenditures
- Reserve fund balance and earnings history
- Amount of premium collected and the premium rate
- Timing of loans as they enter repayment, default, or become paid-in-full

Step #2: Develop Baseline Assumptions from Historical Data

- Growth in annual loan volume for each year
- Claims and default rates
- Recovery rate
- Maximum reinsurance rate
- Staffing and other administrative costs growth rate
- Inflation rate and investment income rate
- Premium factors
- Distribution of loans in repayment, default, or paid-in-full status
- Distribution of collections

Step #3: Validate Financial Model Using Baseline Assumptions

- Financial model is used to predict the sources and uses of funds for a short projection period where actual results are known
- Actual results of the projection period are compared to predicted results
- All significant variances are investigated
- Baseline assumptions are adjusted, if required
- Financial model is then used to predict the sources and uses of funds for the next ten years

Step #4: Test Sensitivity to Changes in Assumptions

- Baseline assumptions based upon past trends are updated for future expectations
- Different assumptions can be used for each year of the projection period
- Alternate insurance fee charges can be tried until the appropriate reserve fund balance or reserve ratio is maintained over the projection period

Step #5: The Presentation of Results Must Show:

- The different assumptions used
- The range of insurance fee charges used
- The resulting reserve fund balances and reserve ratios for each insurance fee charge
- With this presentation of results, management can choose an insurance fee charge based upon the level of risk they are willing to assume

Conclusion—There Is No Quick and Easy Answer

- Each agency's situation is different
  - — Our prior studies have resulted in both insurance fee increases and reductions
  - — There is no "short cut" analysis approach—each agency has a different portfolio of loans, administrative costs baseline, and unique risks associated with their position
- Financial modeling is only the starting point.
  - — Management must interpret the results based on the best available assumptions as to future events
  - — Any change from the status quo will probably need to be sold to a series of constituencies—students, parents, schools, legislators, and budget analysts

Exhibit 1—Key Assumptions Used to Calculate Sources and Uses of Funds

Description of Assumptions Used	Year 1	Year 2	Year 3
GSLP—Growth in annual loan volume	.90	.90	1.05
PLUS Parents—Growth in annual loan volume	1.20	1.20	1.20
PLUS Students—Growth in annual loan volume	1.40	1.40	1.40
GSLP—Claims Rate	.07	.07	.07
PLUS Parents—Claims Rate	.03	.03	.03
PLUS Students—Claims Rate	.09	.09	.09
GSLP—Default Rate	.05	.05	.05
PLUS Parents—Default Rate	.015	.015	.015
PLUS Students—Default Rate	.07	.07	.07
Recovery Rate	.45	.45	.45
Staffing Growth Rate	1.05	1.05	1.05
Other Administrative Cost Growth	1.00	1.00	1.00
Inflation Rate	1.07	1.07	1.07
Investment Income Rate	.08	.08	.08
Administrative Cost Allowance	.01	.0025	.00
Insurance Fee Charge	.01	.01	.01

Exhibit 2—Sources and Uses of Funds

(in thousands of dollars)

	Year 1	Year 2	Year 3
Sources			
Premiums	$ 6,243	$ 6,182	$ 7,093
Collections	1,786	2,374	3,013
Administrative Cost Allowance	2,404	591	0
Reinsurance	10,607	13,045	15,007
Other Sources	0	1,500	0
Total Sources of Funds	$21,040	$23,692	$25,113
Uses			
Operating Expenses	$ 5,849	$ 7,670	$ 8,618
Claims Paid	10,607	13,053	15,088
Collections to Dept. of Education	1,250	1,661	2,106
Other Uses	0	2,964	0
Total Uses of Funds	$17,706	$25,348	$25,812
Fund Balance Before Investment Income	$42,573	$44,190	$47,092
Investment Income	3,273	3,601	3,795
Fund Balance After Investment Income	$45,846	$47,791	$50,887
Reserve Ratio	36	38	39

Exhibit 3-Fund Balance By Year

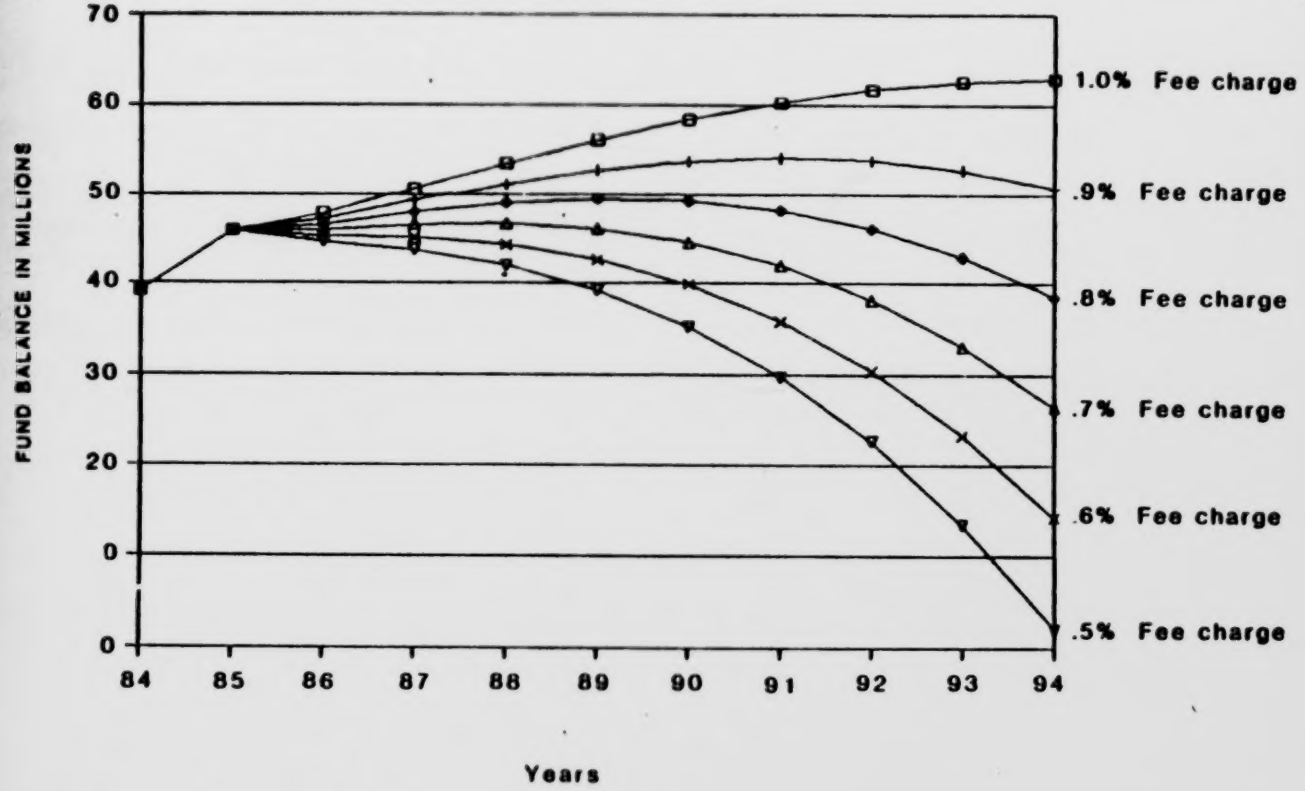
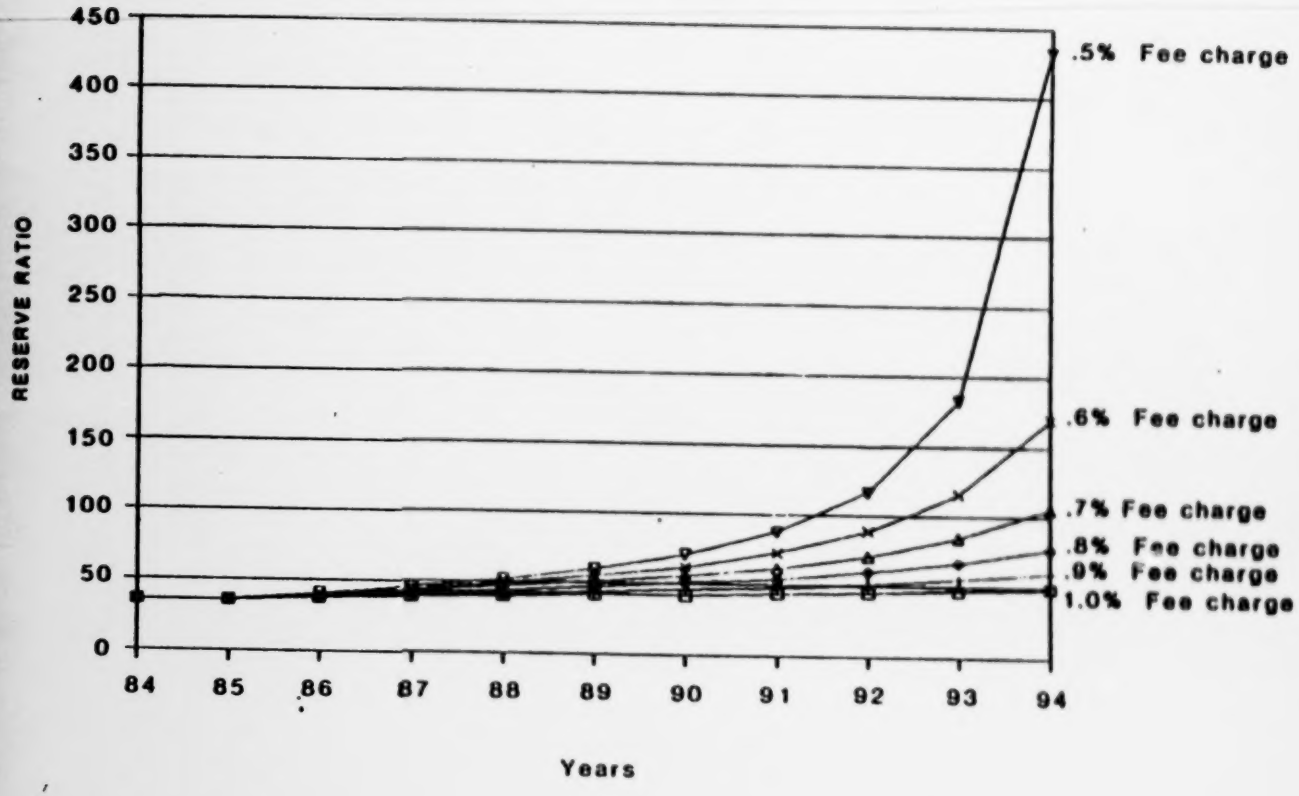


Exhibit 4-Reserve Ratio By Year



NASSGP/NCHELP RESEARCH CONFERENCE ON STUDENT FINANCIAL AID
MAY 30, 1986

"Characteristics of GSL Borrowers in Repayment"

An Analysis of Single and Multiple Loan Program Borrowing

In 1985, the National Association of Student Financial Aid Administrators, with Lilly Endowment funding, conducted the first known National study of GSL borrowers in repayment and the impact of educational loan debt on personal life decisions. The findings of this research study are reported in two volumes and can be obtained by writing NASFAA at 1776 Massachusetts Avenue, N.W., Suite 100, Washington, D.C. 20036.

Although the research reports show twenty-four subsets of data, there was no separate analysis of the Guaranteed Student Loan Program borrowers who also used loan dollars from other loan programs to finance their education. This report deals with the 1985 national survey data for students who borrowed only GSL funds and those who supplemented GSL loans with one or more additional loans in other loan programs. A series of statistical tables displays the findings.

The other loan programs used were:

National Direct Student Loans (NDSL)

Health Education Assistance Loans (HEAL)

Health Profession Student Loans (HPSL)

Parents/Relatives Loans

Other Loans

To permit a detailed review of the issue of single and multiple loan program use, seven categories of analysis were used. The categories are:

A. Grand Total (All Respondents [628] of the 1985 survey)

B. Only Undergraduate Study Use of GSL as Only Loan Used

C. Only Undergraduate Study Use of GSL and One Other Loan Program

D. Only Undergraduate Study Use of GSL and Two or More Other Loan Programs

E. Graduate Study Use (Could Have Used GSL for Undergraduate Study) of GSL as Only Loan Used

F. Graduate Study Use of GSL and One Other Loan Program

G. Graduate Study Use of GSL and Two or More Other Loan Programs

Table I, below, shows the number of respondents in each of the categories, the percentage of total borrowers and the estimated total number of borrowers in repayment in each category.

TABLE I

NUMBER BY CATEGORY

Category	N	%age of Total	No. of Borrowers in Repayment
A	628	100.0	2,970,545
B	362	57.8	1,717,800
C	125	20.0	593,200
D	11	1.8	52,200
E	77	12.3	365,400
F	39	6.2	185,100
G	12	1.9	56,900

In rounded percentages, Table I shows 70% of borrowers used GSL Only, 26% used GSL and one other type loan and 4% used GSL and two or more other loan programs.

Table II shows selected demographics of the seven categories.

TABLE II

DEMOGRAPHICS

Variable	Categories						
	A	B	C	D	E	F	G
Men - %age	43.9	44.2	40.0	18.2	50.6	46.2	58.3
Women - %age	56.1	55.8	60.0	81.8	49.4	53.8	41.7
Mean Age	28.5	27.7	26.9	27.5	32.7	32.1	31.8
Marital Status:							
Single	48.6	49.6	53.6	63.6	42.1	35.9	41.7
Div./Sep./Widowed	9.1	7.8	8.8	9.1	9.2	25.6	.0
Married	42.3	42.7	37.6	27.3	48.7	38.5	58.3
Mean GPA (A=4.0)	3.09	3.01	3.05	2.99	3.36	3.36	3.33
Highest Postsecondary Degree Achieved:							
None	8.8	11.9	8.8	9.1	.0	.0	.0
Certificate	6.1	9.1	2.4	.0	1.3	2.6	.0
Associates	12.6	18.0	10.4	.0	1.3	.0	.0
Bachelors	50.8	56.4	68.8	81.8	15.6	12.8	8.3
Masters	13.7	1.9	6.4	.0	58.4	56.4	33.3
Doctorate	2.5	.6	.0	.0	9.1	10.3	25.0
Professional	5.6	2.2	3.2	9.1	14.3	17.9	33.3
Borrower Occupations:							
Clerical/Secretarial	8.3	11.3	5.6	18.2	1.3	.0	8.3
Craftsman	1.8	2.2	2.4	.0	.0	.0	.0
Farmer/Rancher	.5	.8	.0	.0	.0	.0	.0
Laborer	1.1	1.9	.0	.0	.0	.0	.0
Machine Operator	1.9	2.8	1.6	.0	.0	.0	.0
Professional/Tech.	65.9	59.4	65.3	45.5	85.7	84.6	91.6
Business Owner/Manager	6.9	6.1	7.3	18.2	7.8	10.3	.0
Sales	5.9	5.8	10.5	18.2	1.3	.0	.0
Service Worker	3.3	4.1	3.2	.0	1.3	2.6	.0
Unemployed	4.5	5.5	4.0	.0	2.6	2.6	.0
Mean Parental Income When In College	$29,513	$30,129	$28,085	$32,955	$30,529	$25,231	$31,208

Highest Level Education Obtained By Mother:							
Less than H.S. Grad.	16.5	17.9	12.0	18.2	16.9	18.4	16.6
College Degree	22.7	21.9	17.6	36.4	35.1	18.4	25.0
Highest Level Education Obtained By Father:							
Less than H.S. Grad.	21.4	21.2	16.0	18.2	28.6	23.7	33.3
College Degree	33.4	30.8	32.8	45.5	44.2	34.2	41.6

Table III shows the mean dollar level of borrowing for educational costs by category.

TABLE III

PERCENTAGE OF GSL BORROWERS USING OTHER TYPE LOANS

Type	Categories						
	A	B	C	D	E	F	G
NDSL	20.6	0	64.0	100.0	0	69.2	91.7
HEAL	1.1	0	2.4	0	0	5.1	8.3
HPSL	1.3	0	4.0	0	0	2.6	16.7
Parent	9.0	0	24.8	81.8	0	20.5	66.8
Other	2.6	0	4.8	27.3	0	2.6	50.0

TABLE IV

MEAN DOLLARS BORROWED BY TYPE LOAN

Program	Categories						
	A	B	C	D	E	F	G
GSL							
Undergrad Only	$4,390	$4,334	$4,533	$4,473	0	0	0
Graduate Only	$7,235	0	0	0	$7,214	$7,467	$6,400
Both U/Grad	$11,386	0	0	0	$10,535	$13,746	$10,250
Total GSL	$5,288	$4,334	$4,533	$4,473	$8,422	$9,560	$8,325
NDSL							
Undergrad Only	$2,298	0	$2,268	$1,195	0	$3,373	$1,700
Graduate Only	$3,355	0	$3,000	0	0	$3,776	$2,467
Both U/Grad	$5,343	0	0	0	0	$5,500	$5,220
Total NDSL	$2,619	0	$2,286	$1,195	0	$3,808	$3,509
HEAL							
Undergrad Only	$1,075	0	$767	0	0	0	0
Graduate Only	$10,900	0	0	0	0	$15,350	$2,000
Total HEAL	$5,286	0	$767	0	0	$15,350	$2,000

HPSL							
Undergrad Only	$960	0	$675	0	0	0	0
Graduate Only	$1,067	0	0	0	0	$2,000	$600
Total HPSL	$1,000	0	$675	0	0	$2,000	$600
Parent/Relative							
Undergrad Only	$5,138	0	$4,368	$8,111	0	$7,000	$2,667
Graduate Only	$4,533	0	$13,000	0	0	$2,060	$5,833
Both U/Grad	$15,733	0	0	0	0	$30,000	$8,600
Total Parent/Rel.	$5,608	0	$4,646	$8,111	0	$6,288	$5,338
Other							
Undergrad Only	$2,681	0	$3,630	$1,100	0	0	0
Graduate Only	$2,875	0	$300	0	0	$3,500	$3,200
Total Other	$2,778	0	$3,261	$1,100	0	$3,500	$3,200
All Loans	$6,488	$4,334	$7,405	$12,604	$8,422	$14,517	$17,050

TABLE V

BY CATEGORIES, SIGNIFICANT MEAN DIFFERENCES BY MEAN DOLLARS BORROWED BY TYPE OF LOANS USED

Type Loan	Categories						
	A	B	C	D	E	F	G
All GSL's							
5%				G			D
1%		E,F&G	E,F&G	E&F	B,C&D	B,C&D	B&C
All NDSL's							
5%				F		D	
1%			D	C			
All Parents							
5%						G	F
1%							
All Loans							
5%							
1%	C,D,E,F&G		B,F&G	B,F	B,F&G	B,C,E	B,C,E

TABLE VI

USE OF LOANS BY TYPE COLLEGE, MEAN NUMBER OF DIFFERENT COLLEGES, AND MEAN NUMBER OF YEARS LOANS USED

Variable	Categories						
	A	B	C	D	E	F	G
Mean Number Colleges Used Loans	1.28	1.18	1.25	1.27	1.42	1.92	1.58
Mean Number Years Used Loans	2.59	2.11	3.11	3.55	2.71	4.28	4.67
First Use of Loan(s)							
At Public - %	51.4	57.2	42.9	63.6	42.1	50.0	16.7
At Private - %	48.6	42.8	57.1	36.4	57.9	50.0	83.3
Second Use of Loan(s)							
At Public - %	49.7	55.0	48.3	33.3	48.3	43.5	42.9
At Private - %	50.3	45.0	51.7	66.7	51.7	56.5	57.1
Third Use of Loan(s)							
At Public - %	23.1	0	0	0	50.0	28.6	0
At Private - %	66.9	100.0	100.0	0	50.0	71.4	0

TABLE VII

STATE OF ORIGINAL GUARANTEE OF GSL

State - %ages	Categories						
	A	B	C	D	E	F	G
Arizona	1.6	2.3	.8	9.1	.0	.0	.0
California	11.5	13.8	6.5	9.1	10.5	13.5	.0
Colorado	3.7	2.8	4.1	.0	6.6	5.4	8.3
Florida	4.2	5.1	2.4	.0	3.9	5.4	.0
Illinois	12.0	11.6	12.2	.0	14.5	13.5	16.7
Iowa	4.9	4.2	9.8	.0	1.3	2.7	8.3
Massachusetts	14.1	12.7	16.3	36.4	11.8	13.5	25.0
New York	36.4	37.0	37.4	36.4	39.5	24.3	25.0
North Carolina	2.3	2.8	2.4	.0	.0	2.7	.0
Oregon	3.3	2.3	3.3	9.1	3.9	8.1	8.3
Tennessee	2.6	2.3	3.3	.0	3.9	2.7	.0
Texas	3.3	3.1	1.6	.0	3.9	8.1	8.3

TABLE VIII

MEAN RANKING (1-HIGH — 6-LOW) OF SOURCES OF GENERAL INFORMATION ABOUT EDUCATIONAL LOANS AND SIGNIFICANT MEAN DIFFERENCES BY CATEGORY

Source	Categories						
	A	B	C	D	E	F	G
Postsecondary Institution							
Mean	1.95	2.06	2.05	2.82	1.75	1.26	1.00
5%				E	D&F	E&G	F
1%		F&G	F&G	F&G	G	B,C&D	B,C,D&E
Lenders							
Mean	2.18	2.07	2.52	2.18	1.86	2.41	2.82
5%		G			F&G	E	B&E
1%		C	B&E		D		
State Agencies							
Mean	4.15	4.29	4.27	3.86	3.59	3.48	4.00
5%		E	E		B&C		
1%		F	F			B&C	
Federal Government							
Mean	4.55	4.56	4.60	3.86	4.54	4.67	4.11
5%) NONE							
1%)							
Newspapers/Magazines							
Mean	4.12	4.04	4.23	4.67	4.00	4.42	4.22
5%) NONE							
1%)							
High Schools							
Mean	3.48	3.52	3.00	2.86	4.31	3.76	3.70
5%		C&E	B	G	B		D
1%			E		C		

TABLE IX

MEAN RATINGS (1-NONE/STRONGLY DISAGREE — 9-MUCH/STRONGLY AGREE) OF IMPACT RESPONSES BY CATEGORIES AND SIGNIFICANT MEAN DIFFERENCES BY CATEGORIES

Impact Question	Categories						
	A	B	C	D	E	F	G
Loan(s) Essential for Enrollment							
Mean	6.90	6.56	7.80	6.36	6.49	7.51	8.42
5%		F	G	G	F	B&E	C&D
1%		C&G	B&E		C&G		B&E
Loans Permitted College Choice							
Mean	6.02	5.73	6.65	6.90	6.04	6.08	6.92
5%		G					B
1%		C	B				
Loans Replaced Available Parent(s) Dollars							
Mean	3.42	3.57	3.26	5.27	3.19	2.78	2.00
5%			G	E&G	D	D	C
1%		G		G			B&D
Loans Served as "Back-up"							
Mean	3.21	3.63	2.47	1.82	3.62	1.87	1.67
5%							
1%		C,D,F&G	B,E&G	B&E	B,C,F&G	B&E	B,C&E
Loans Affected Acad. Major Choice							
Mean	2.54	2.40	3.10	2.55	2.08	2.81	3.00
5%		C	B				
1%			E		C		
Loans Caused Postponement of Grad. School							
Mean	3.05	2.99	3.95	4.80	1.77	2.89	2.17
5%			F	G	F	C&E	D
1%		C&E	B,E&G	E	B,C&D		C
Wish Borrowed More $							
Mean	2.68	2.77	2.42	2.09	2.65	3.12	2.18
5%) NONE							
1%)							
Wish Borrowed Less $							
Mean	3.65	3.65	3.71	6.20	3.30	3.57	2.83
5%							
1%		D	D	B,C,E,F&G	D	D	D

Expected Parent(s) Help Repay Loans							
Mean	1.60	1.68	1.48	1.55	1.75	1.15	1.09
5%			F&G		F	C&E	C
1%		F&G			G	B	B&E
Loan Debt Caused "Drop-out"							
Mean	1.81	1.99	1.66	3.00	1.33	1.56	1.45
5%							
1%		E			B		
Degree Difficulty Making Payments							
Mean	3.44	3.25	3.50	6.00	3.21	4.24	5.08
5%		F	G	F		B&D	C
1%		D&G	D	B,C&E	D&G		B&E
Need to Borrow Other $ to Repay Loans							
Mean	1.76	1.82	1.84	1.20	1.38	1.84	2.17
5%			D&E	C	C		
1%		D&E		B	B		
If/When to Marry							
Mean	1.96	1.84	2.24	3.89	1.67	1.80	2.10
5%		D		B,E&F	D	D	
1%							
If/When to Add to Family							
Mean	2.44	2.34	2.80	5.00	1.93	2.38	2.50
5%			E	E	C&D		
1%							
Debt Caused Use Rental Housing							
Mean	3.04	2.62	3.71	5.44	2.70	3.58	5.55
5%			E&G	E	C&D		C
1%		C,D&G	B	B	G		B&E
Debt Caused Use of Used Cars							
Mean	3.51	3.30	4.20	5.45	2.83	3.42	4.73
5%		D		B&F		D	
1%		C	B&E	E	C&D		
Debt Caused "Moonlighting"							
Mean	2.65	2.55	2.84	6.71	1.98	2.90	3.18
5%		E	E		B&C		
1%		D	D	B,C,E,F&G	D	D	D
Debt Caused Accepting Job Based on Pay							
Mean	2.51	2.31	2.76	3.89	2.31	2.90	3.27
5%) NONE							
1%)							
Debt Impacted Ability to Save							
Mean	5.01	4.75	5.34	7.00	4.73	5.64	7.08
5%			D&G	C			C
1%		D&G		B&E	D&G		B&E

Debt Caused Living With Relatives							
Mean	2.55	2.43	2.96	4.89	2.20	2.48	2.09
5%		D		B,E&G	D		D
1%							
Belief Payments Easier in Future							
Mean	4.74	4.58	5.16	5.18	4.93	4.06	5.55
5%		C	B&F			C	
Debt Caused Delay of Health Care							
Mean	2.61	2.59	2.48	4.22	2.26	3.30	3.17
5%) NONE							
1%)							

TABLE X

MEAN YEARLY LOAN REPAYMENTS OF BORROWERS AND SPOUSE

AND SIGNIFICANT MEAN DIFFERENCES (BORROWER)

	Categories						
	A	B	C	D	E	F	G
Borrower	$987	$763	$1,127	$1,142	$1,327	$1,623	$1,820
Spouse	$1,026	$950	$994	$1,200	$1,562	$624	$1,386
Borrower							
5%					G		E
1%		C,D,E,F&G	B,F&G	B,F&G	B	B,C&D	B,C&D

TABLE XI

MEAN YEARLY GROSS INCOME OF BORROWERS AND SPOUSE

AND SIGNIFICANT MEAN DIFFERENCES (BORROWERS)

	Categories						
	A	B	C	D	E	F	G
Borrower	$20,007	$18,134	$18,631	$13,728	$27,160	$29,414	$22,080
Spouse	$21,240	$20,146	$21,052	$18,000	$27,202	$21,226	$14,400
Borrower							
5%		D	D	B,C&G			D
1%		E&F	E&F	E&F	B,C&D	B,C&D	

TABLE XII

MEAN YEARLY TAKE-HOME PAY OF BORROWER AND SPOUSE AND SIGNIFICANT MEAN DIFFERENCES (BORROWER)

	Categories						
	A	B	C	D	E	F	G
Borrower	$13,884	$12,801	$12,746	$9,864	$17,840	$20,345	$16,260
Spouse	$14,700	$14,015	$14,884	$15,120	$17,956	$13,719	$11,610
Borrower							
5%		D	D	B&C			
1%		E&F	E&F	E,F&G	B,C&D	B,C&D	D

TABLE XIII

MISCELLANEOUS FINDINGS

Area	Categories						
	A	B	C	D	E	F	G
%age Want Consolidation	19.8	14.5	28.2	36.4	13.5	43.2	41.7
% Now Consolidated	11.0	11.0	5.6	0.0	18.7	17.9	8.3
% Desiring Income Contingent Repayment	45.8	41.0	45.9	63.6	61.1	50.0	66.7
% Could Handle Higher Repayments	50.4	48.2	53.9	45.5	61.6	44.7	33.3

TABLE XIV

MEAN PERCENTAGE OF REPAYMENTS (BORROWER AND SPOUSE) TO GROSS INCOME/TAKE-HOME INCOME (BORROWER AND SPOUSE) AND SIGNIFICANT MEAN DIFFERENCES

Gross Income	Categories						
	A	B	C	D	E	F	G
%age	5.51	4.96	6.52	7.27	5.34	6.12	9.35
5%		G		E	D&G		B&E
1%		C&D	B	B			

Take-home Income							
%age	7.49	6.22	8.89	9.82	7.59	8.38	12.88
5%					G		E
1%		C,D&G	B	B			B

SUMMARY AND CONCLUSIONS

The findings of this Report clearly indicate that combining GSL's with other type loans can bring repayment levels which cause hardship and significant impact on the borrowers' personal life decisions for many. The degree of impact increases when other loans used increases from one to two or more.

Of the almost 3.0 million persons now repaying GSL loans, 26.2% (778,300) of them are repaying GSL and one other type loan. There are also about 109,100 (3.7% of all GSL borrowers) who are repaying GSL's and two or more other type loans.

For those using GSL's only for undergraduate study, a disproportionate number of those also using other type loans were single women engaged in a secretarial/clerical/sales positions with gross incomes well below those in professional/technical positions. Another observation of this group was the high percentage of mothers/fathers with college degrees for those with multiple loan program borrowing.

For undergraduate use of GSL only, the findings (GSL only (1), GSL and one other type loan (2), and GSL and two or more other loans (3)) are:

	(1)	(2)	(3)
GSL Debt	$4,334	$4,533	$4,473
Other Type Loan Debt	0	$2,872	$8,131
Total Loan Debt	$4,334	$7,405	$12,604
Annual Borrower Repayment	$763	$1,127	$1,142
Borrower Gross Income	$18,134	$18,631	$13,728
Percentage of Repayment*			
To Gross Income	4.96%	6.52%	7.27%
To Take-Home Pay	6.22%	8.89%	9.82%

*These percentages add any spouse income and spouse loan repayment to respondents income and loan repayment.

For those using GSL for graduate study (either only graduate study or both graduate and undergraduate study), the findings (GSL only (1), GSL and one other type loan (2), and GSL and two or more other loans (3)) are:

	(1)	(2)	(3)
GSL Debt	$8,422	$9,560	$8,325
Other Type Loan Debt	0	$4,957	$8,725
Total Loan Debt	$8,422	$14,517	$17,050
Annual Borrower Repayment	$1,327	$1,623	$1,820
Borrower Gross Income	$27,160	$29,414	$22,080
Percentages of Repayment*			
To Gross Income	5.34%	6.12%	9.35%
To Take-Home Pay	7.59%	8.38%	12.88%

*These percentages add any spouse income and spouse loan repayment to respondents income and loan repayment.

A careful review of the impact findings on personal life decisions shows significant differences in many areas based upon single and multiple loan program borrowing. Selected findings from Table IX are shown below. The lower the mean rating, the less impact.

	Undergraduate Use of GSL Only			Graduate Use of GSL		
Impact Area	(1)	(2)	(3)	(1)	(2)	(3)
Loans Replaced Available Parent(s) Dollars	3.57	3.26	5.27	3.19	2.78	2.00
Now Wish Borrowed Less Dollars	3.65	3.71	6.20	3.30	3.57	2.83
Degree of Difficulty In Making Loan Repayments	3.25	3.50	6.00	3.21	4.24	5.08
Decision on If/When to Marry	1.84	2.24	3.89	1.67	1.80	2.10
Decision of If/When to Add To Family	2.34	2.80	5.00	1.93	2.38	2.50
Debt Caused Use of Rental Housing	2.62	3.71	5.44	2.70	3.58	5.55
Debt Cause Purchase of Use Cars	3.30	4.20	5.45	2.83	3.42	4.73

Debt Caused "Moonlighting"	2.55	2.84	6.71	1.98	2.90	3.18
Debt Impacted Ability To Regularly Save Money	4.75	5.34	7.00	4.73	5.64	7.08
Debt Caused Living With Relations	2.43	2.96	4.89	2.20	2.48	2.09

The findings of this study clearly indicate that student financial aid officers should offer alternatives to those who face the need to use GSL's with other type loans. The alternatives seem most appropriate when two or more other type loans are used with GSL's. Among the alternatives are greater use of work-study earnings, less than full-time enrollment combined with employment and for some a break from college enrollment with employment to help provide the needed dollars to meet college costs upon return as a student.

Reasonable amounts of educational loans are investments in one's future. Too many loans and large debt can lead to circumstances which can bring hardship and regret.

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The Use of Student Financial Aid to Attract Prospective Teachers: A Survey of State Efforts

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The College Board
Washington Office

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Washington Office of The College Board

February 1986

College Entrance Examination Board, New York

The College Board

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FOREWORD

Upgrading the teaching force is perhaps the greatest challenge to the education reform movement, and state governments have a pivotal responsibility in meeting this challenge.

This report is based on a survey of one type of incentive designed to attract talented individuals into teaching that has become increasingly popular among the states: student financial aid, primarily in the form of loan "forgiveness." The survey was conducted initially in late 1984 by mail inquiries to chief state school officers (Appendix 1). A telephone follow-up with detailed questions was undertaken in January and February 1985 (Appendix 2). Collection of information from these sources was completed in the spring of 1985; the data were analyzed shortly thereafter (see the summary of programs in Appendix 3 and the schematic presentation in Table 1 of the text).

Irene Spero, Associate for Government Relations in the College Board Washington Office, conducted the survey and wrote this report. She testified on the results of the survey in hearings before the Subcommittee on Postsecondary Education, U.S. House of Representatives in July 1985. She also presented the findings at meetings of the American Association of Colleges of Teacher Education and the National Conference of State Legislatures. The discussion and exchange of ideas that occurred in these forums helped in compiling the final report.

Many individuals encouraged and assisted in the study: Jim Stedman (Congressional Research Service); Bill Pierce (Council of Chief State School Officers); Bill Harrison and Peggy Siegel (National Conference of State Legislatures); Aims McGuinness, Chris Pipho, Bob Palaich, and Jane Armstrong (Education Commission of the States); and Jim Mingle (State Higher Education Executive Officers). Joe Cronin, president of the Massachusetts Higher Education Assistance Corporation and a member of the Advisory Panel to the College Board's Washington Office, also made important suggestions. We thank all these individuals for their willingness to listen, comment, and help focus the effort. Washington Office staff members Darryl Greer, Director for Government Relations, and Janet Hansen, Director for Policy Analysis, provided invaluable assistance. Jane Bretzfield ably typed the paper through its many drafts to the final manuscript. Finally, we wish to thank all the administrators who took the time to describe their programs and answer the survey questions.

We hope this survey's findings and the author's summary observations on the question of the effectiveness of such programs will be helpful to policy makers as the states and the education community search for ways to recruit and retain first-rate teachers.

Lawrence E. Gladieux
Executive Director

SUMMARY

This report discusses state-sponsored programs that seek to attract college students to teaching by paying off a portion of their student loans for each year they teach. According to the report, most of the state programs stress the recruitment of math and science teachers, but beyond this commonality, they vary widely--in the amount and duration of the aid they offer; eligibility requirements; and repayment, buy-out, and forgiveness schedules.

Will such programs act as effective tools to help meet the teacher requirements of the next decade? It may be too early to tell from the record of the relatively new state programs now in operation, but limited experience with them and with other, earlier programs suggests that success has been equivocal.

These programs must be assessed in the larger context of available policy options aimed at increasing the numbers and quality of teachers. The ability to attract and retain the best and the brightest teachers in adequate numbers will depend primarily on making teaching a more desirable career and only secondarily on incentives such as student financial assistance.

CONTENTS

FOREWORD..... 1

SUMMARY..... 11

I. RESPONDING TO THE TEACHER SHORTAGE..... 1

II. EXAMINATION OF EXISTING STATE STUDENT ASSISTANCE PROGRAMS FOR PROSPECTIVE TEACHERS..... 2

III. WILL THEY WORK?..... 9

IV. NEXT STEPS..... 11

TABLE 1 - Characteristics of Loan Programs by State..... 4

APPENDIXES

1. Letter to Chief State School Officers..... 14
2. Questionnaire to Program Administrators..... 15
3. Summary Description of State Programs..... 16

BIBLIOGRAPHY..... 24

I. RESPONDING TO THE TEACHING SHORTAGE

The education reports that became "best sellers" in 1983 and 1984 generated intense publicity, media attention, and political debate. Our shaky educational foundations, we were told, put the nation "at risk."

Policy makers responded quickly. The 98th Congress enacted a patchwork of education reform bills. Almost all of the 50 states legislated some form of education improvement, often as a result of the recommendations of ad hoc, high-level commissions and task forces.

A major theme that emerged from these activities was a concern about the ability to attract and retain sufficient numbers of qualified teachers so necessary to the success of the newly enacted educational reform efforts. Indeed, Albert Shanker, President of the American Federation of Teachers, commented in a statement at a recent Congressional hearing that "the major struggle in education over the next period will be attracting and retaining teachers."

The difficulties of overcoming this problem are compounded by a unique combination of demographic forces and negative perceptions of teaching. Consider first the demographic dimensions of the problem. The supply of teachers and the demand for them are moving in sharply divergent directions. As we approach the 1990s, elementary school enrollments will significantly increase just as the college age population (the traditional source of teachers) declines. Furthermore, able women and minorities, once a major source of teachers, now have fewer barriers to overcome in entering other professions and, increasingly, are choosing to do so. There are already well-documented shortages of mathematics and science teachers. As we approach 1990, the imbalance between supply and demand will create the need for a projected one million new teachers.

Demography alone cannot account for the problems of teacher recruitment, however. The low salaries and prestige, and the difficult working conditions associated with teaching, deter many talented students from ever considering a career in the classroom. As more and more people are going to college, fewer and fewer of them are studying to be teachers; higher education enrollments increased by nearly a third in the last decade at the same time that enrollments in teacher education programs decreased by over a third.

Accordingly, the task that confronts policy makers is enormous: how to staff greater numbers of classrooms, just as the odds of doing this successfully significantly diminish. The search for solutions has led policy makers to consider "all sorts of magnets to see which ones work," according to Keith Richburg's Washington Post report. For example, loans that can be repaid, or "forgiven," by teaching are one such "magnet" that has been established in over half the states, proposed in many others, and authorized by the 98th Congress as Carl D. Perkins Scholarships. Another such magnet is a program of loan repayment for those already teaching. Still another form of financial assistance for teachers was incorporated in H.R. 3700, the Higher Education Amendments of 1985, recently passed by the House of Representatives; it permits currently employed teachers a 3-year deferment before they repay their National Direct Student Loan or Guaranteed Student Loans.

Is student aid an effective incentive to encourage teacher education studies and a classroom career? Is the loan forgiveness mechanism likely to operate as a magnet? Can loan repayment programs encourage teachers to remain in the classroom?

It is too soon after creation of these new programs to determine how effective they will be, but a preliminary examination of recently enacted state policies raises some questions in that regard. States are still at the "experimental stage or cutting edge of ignorance about what types and amounts of incentives" will attract teachers, notes Michael Kirst in a 1983 Stanford University policy report.

II. EXAMINATION OF EXISTING STATE STUDENT ASSISTANCE PROGRAMS FOR PROSPECTIVE TEACHERS

In general, student assistance programs can be grouped in three categories: grants or scholarships requiring no repayment, loans requiring repayment, and work opportunities. State student assistance to attract prospective teachers has focused on loans, rather than grants or work. However, the way the states have structured their loan programs tends to blur the distinction among grants, loans and work. The most commonly employed form of assistance utilized by the states is a loan that can be repaid by working in a school setting for a number of years.*

Types of Programs

A loan program with "forgiveness" provisions is the most frequently legislated incentive to attract students to teaching. In this model, undergraduates receive loans for their teacher education studies; the borrower cancels a portion of the loan by teaching for a specified length of time (e.g., one fifth of the loan for each of 5 years). Thus, teaching substitutes for the periodic cash repayment of the loan's principal and interest; the loan is "forgiven" and becomes, in effect, a grant.

Twenty-one states have this type of program. One state, Illinois, has a loan forgiveness program restricted to certified teachers seeking recertification in math and science. Iowa also provides forgivable loans for current teachers to advance themselves by becoming certified as math and science teachers.

An alternative incentive of lesser popularity among the states (and also of less cost to the states) is the loan repayment program in which the state repays a portion of an outstanding Guaranteed Student Loan (GSL) or National Direct Student Loan (NDSL) for a currently employed teacher. Repayment may be made directly to the lender, as it is in Pennsylvania, or the state may

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*It should also be noted that traditionally states have kept tuition lower at the state colleges or regional state universities that train the vast majority of teachers. That has been a major state subsidy then . . . and now.

require teachers to make the repayment and then reimburse them retroactively. Iowa uses this latter method. The federal government has meanwhile subsidized the lower than market rate for the entire in-school and pay-back period.

Loan repayment programs, therefore, may provide more of an incentive to retain, rather than attract, teachers during the time the loan is being repaid. Three states have loan repayment plans; California is the largest. Another three states have programs with both loan forgiveness and loan repayment features. Table 1 identifies the type of program by state and by several of the other characteristics discussed here. Appendix 3 contains more detailed program information.

Growth of Programs

One state loan forgiveness program predates the passage of the National Defense Education Act (NDEA)--the 1957 North Carolina plan. Interest in this mechanism derived new momentum from the education reform movement of the 1980s, however. Two southern states enacted loan forgiveness legislation in 1982. The rapidity with which incentive programs were passed during the 1983 and 1984 legislative sessions in 25 states suggests a "bandwagon" effect.

The urge to pass such legislation is not over. The present survey formally includes legislation enacted as of January 1985, but the Information Clearinghouse of the Education Commission of the States has identified some subsequent actions: The Wyoming legislature recently passed a bill, and a loan forgiveness program became operative July 1985 in Ohio. Loan forgiveness provisions are also incorporated in Missouri's recent Excellence in Education Act. The Governor's Teaching Scholars Program in New Jersey will award its first loans in February 1986. State boards or task forces in at least seven other states have made similar recommendations. At least one local school district, Jefferson County, Colorado, recently initiated a 4-year loan forgiveness program for its own high school graduates if they promise to return and teach in the county.

Size of Programs

The amount of funds appropriated annually for these programs varies considerably--from $10,000 in Vermont to $2.2 million in Texas. At least six states--Alabama, California, Florida, New York, South Carolina, and Texas--have program appropriations in excess of $1 million. At the other end of the spectrum, eight states--Alaska, Arizona, Arkansas, Illinois, Indiana, Maryland, Nebraska, and Vermont--have programs of $100,000 or less. The programs in the remaining states are typically within the $100,000 to $500,000 range. One state, Louisiana, has not yet appropriated funds for its program. (Note that the dollar requirements for annual appropriations depend on whether a state lends its own money or uses the Guaranteed Student Loan Program and pays only for those who enter and remain in teaching.)

Amount and Duration of Aid

In the loan forgiveness programs, the amount of aid varies from $7,500 a

Table 1. Characteristics of Teacher Loan Programs by State, 1985

State	Program type	Year created	Maximum loan ($)	Eligibility		Teaching years required to forgive loan	Math/ Science Component
				Years	Criterion		
ALABAMA	LF	1982	3,996[a]	2	Merit	6	yes
ALASKA	LF	1984	7,500[a]	5	Merit	5	-
ARIZONA	LF	1983	4,000[a]	2	Merit	4	yes
ARKANSAS	LF	1983	2,500[a]	4	Merit	5	yes
CALIFORNIA	LR	1984	8,000[b]	3	--	-	yes
CONNECTICUT	LF	1983	5,000[a]	2	Merit	5	yes
DELAWARE	LF	1984	5,000[a]	4	Merit	8	yes
FLORIDA	LF	1983	4,000[a]	2	Merit	4	yes
	LR	1983	10,000[b]	4	--	-	yes
GEORGIA	LF	1984	1,500[a]	2	Merit	2	yes
ILLINOIS	LF	1983	550	NL	--	varies	yes
INDIANA	LR	1983	10,000[b]	5	--	-	yes
IOWA	LF	1983	1,500	NL	--	2	yes
	LR	1983	6,000[b]	6	--	-	yes
KENTUCKY	LF	1982	2,500[a]	3	Need	3	yes
LOUISIANA	LF	1984	2,000[a]	4	Merit	5	-
MAINE	LF	1984	1,500[a]	4	Merit	2	-
MARYLAND	LF	1984	5,000[a]	4[c]	Merit	3	yes
MASSACHUSETTS	LF	1984	2,000[a]	2	Need	2	yes
MISSISSIPPI	LF	1983	3,000[a]	2	Merit	2	yes
NEBRASKA	LF	1983	500[c]	6[c]	Merit	3	yes
NEW YORK	LF	1984	3,000[a]	4	Merit	2	yes
NORTH CAROLINA	LF	1957	2,000[a]	4	Merit	4	-
PENNSYLVANIA	LF	1983	1,500[a]	4	Merit	4	yes
	LR	1983	2,500[a]	4	--	-	yes
SOUTH CAROLINA	LF	1984	2,500[a]	5	Merit	5	yes
TENNESSEE	LF	1984	1,500[a]	4	Merit	4	yes
TEXAS	LF	1984	1,000[c]	4[c]	Merit	2	yes
	LF	1984	2,500[a]	none ($5,000 max)	Need	4	yes
VERMONT	LR	1984	varies	none	--	-	yes
VIRGINIA	LF	1984	2,000[a]	2	Merit	2	yes
WASHINGTON	LF	1983	2,500[a]	none ($10,000 max)	Need	10	-

Note. LF = Loan Forgiveness; LR = Loan Repayment. NL = No Limit.
[a]per year [b]cumulative [c]per semester

year for up to 5 years in Alaska, to $1,500 a year for 2 years of study in Georgia. Approximately half of the states provide aid for 2 years and half for 4 years or more, even though many students do not declare an education major until the end of the sophomore year. States with 2-year programs typically offer more substantial awards--often in the $3,000 to $4,000 a year range--for that time period. Two states in which large percentages of students attend independent colleges--Massachusetts and Connecticut--offer higher amounts for attendance at a private institution.

Loan repayment plans typically specify a total amount that the state will repay over a given period of teaching. Three states--Florida, Pennsylvania, and Indiana--will repay up to $10,000 in outstanding loans, with the other states repaying lesser amounts. Florida, Pennsylvania, and Vermont will repay the outstanding loans for a 4-year period of teaching, Indiana for 5, Iowa for 6, and California for 3.

Eligibility

The eligibility requirements in loan forgiveness programs are notable in two respects. First, the concept of financial need, long the cornerstone of student assistance, is often absent in these programs, as the eligibility criterion column of Table 1 indicates. Only the Massachusetts and Washington programs are need-based; Pennsylvania and Iowa use GSL, which is need-related. In Kentucky, need is considered, but is of only minor importance in determining eligibility. The North Carolina program was need-based prior to 1984, but it is now strictly merit-based. Texas has two loan programs, one based on need and one using merit criteria. Financial need is not a factor in any of the other states.

Second, the eligibility requirements for loan forgiveness programs are usually geared to recruit top academic students into teaching. Thus, states have combined academic standards with monetary incentives as a means of improving the quality of the teaching force. American College Testing Program (ACT) or Scholastic Aptitude Test (SAT) scores, grade point average (GPA; ranging from 2.5 in several states to 3.2), and rank in high school graduating class (at least top half in all states and upper 15 percent in Texas) are common eligibility requirements. Admission to a teacher education program, recommendations, citizenship, and state residency are also criteria.

Loan repayment plans do not establish as clearly as do loan forgiveness programs the linkage between academic standards and monetary incentives to teach. However, in Pennsylvania, the program is restricted to college graduates, beginning with the class of 1984, who maintained at least a 3.0 GPA in their major subject area; to be eligible they must be teaching math or science full time and have an outstanding balance from a loan approved by the Pennsylvania Higher Education Assistance Agency. In other cases, eligibility criteria are limited to factors such as the possession of a current t aching license, a teaching position and an outstanding student loan balance. In California, for example, applications for the loan repayment program are distributed to districts with specific teacher shortages. The districts then determine which of their teachers may apply. To be eligible, applicants must have valid teaching credentials; be actually teaching math, science, or another defined shortage area; agree to continue such service in that subject

for 3 consecutive years; and have an outstanding balance in a GSL, NDSL, or other student loan approved by the Student Aid Commission.

Rate of Forgiveness or Repayment

The rate at which the loan is forgiven or repaid may be an important factor in encouraging recipients to remain in the classroom until their debt obligation is eliminated. There is considerable variation among the states in setting these terms.

In the loan forgiveness programs surveyed, recipients are permitted to cancel a portion of the loan through teaching as an alternative to the periodic cash repayment of principal and interest. A loan may be forgiven on a one-to-one basis--for example, a year of loan forgiveness may be granted for a year of teaching. On the other hand, a year of assistance may require 2, or even 3 years of teaching. This latter alternative may encourage loan recipients to remain in teaching for a longer period so that their complete obligation is repaid through service rather than through cash.

Ten states--Georgia, Indiana, Massachusetts, Mississippi, North Carolina, Pennsylvania, Tennessee, Texas, Virginia, and Kentucky--require that a student teach a year for each year of assistance. New York has a more generous forgiveness schedule--a recipient must teach for only 1 year for each 2 years of the award. As Table 1 indicates, a New York recipient could receive a $12,000 loan for 4 years of undergraduate teacher education study and have this total amount forgiven by teaching just 2 years. Maryland requires 1 1/2 years of service for each year of aid. Arizona, Delaware, and Florida require 2 years of teaching to forgive 1 year of the loan, whereas Alabama requires 3 years for each year of assistance.

Other states specify that a certain percentage of the loan will be forgiven for each year of classroom service. The most common pattern in this instance is to have 20 percent of the loan cancelled for each year of teaching. Arkansas, Connecticut, Louisiana, and South Carolina utilize this schedule.

How long it will take for a student to have the loan completely forgiven by teaching depends not only on the rate of forgiveness but also on the amount and duration of the award. Table 1 shows that the majority of the states with programs require 5 years or less of teaching to complete forgiveness of the loan through service, and in fact the loan conditions in eight states specify only 2 years of teaching. At the other extreme, Alabama recipients are obliged to teach 6 years to have their $8,000, 2-year loan completely forgiven; Delaware teachers must work 8 years to forgive a $20,000, 4-year loan; and Washington teachers work 10 years to cancel a maximum of $10,000 in loan assistance.

As previously discussed, loan repayment programs are usually structured so that a total loan amount is repaid in a given time period. Within this scheme, however, there are options. A loan can be repaid in equal amounts. For example, Iowa repays up to $1,000 for each year of teaching up to a $6,000 maximum. Or loans can be repaid in unequal yearly amounts. California repays

$8,000 over 3 years, with $2,000 in Year 1 and $3,000 annually in Years 2 and 3. This latter option could act as an incentive to keep teachers in the classroom longer. In no state would repayment last more than the specified 6 years in Iowa.

Buy-Out Provisions

All the loan forgiveness programs surveyed establish the terms under which a recipient can "buy out" the loan through cash repayments as an option to teaching.

Loan repayment plans do not provide for a buy-out, since the recipients must be actually teaching to receive program benefits. If teaching service ceases, so does loan repayment. The recipient then assumes full responsibility for the remaining loan balance with no additional penalty.

The buy-out provisions in the loan forgiveness programs can be ranked on a continuum from most lenient (i.e., the least penalty) to most stringent. On this continuum, the interest rate of the teacher loan program as compared with the rate charged in more general loan programs (for example, GSL), is one of the factors that can influence the choice the potential borrowers make about participation in the program. If the rate is lower than that of the GSL, for example, a student may seek the loan even though he or she has no plans to teach. Conversely, if the interest rate is higher than that of the GSL, the incentive to participate may be lower, but the pressure to enter teaching and have the loan forgiven through service will be higher.

Programs in eight states--Georgia, Iowa, Massachusetts, Mississippi, Nebraska, South Carolina, Tennessee, and Washington--specify the same interest rate currently used in the GSL. The South Carolina and Washington programs also parallel GSL in terms of the length of the repayment period--10 years. In the other states even though the interest rate is identical, the repayment time is considerably shorter--for example, 4 years in Massachusetts and Tennessee and 3 years in Mississippi and Nebraska.

Three states have rates below the current GSL rate. In Alaska, the loan must be repaid at 5 percent within 10 years. North Carolina specifies 6 percent interest with the repayment period open-ended. And Maine charges no interest during the 5-year repayment period. Illinois requires reimbursement of the actual tuition to the state, with no interest charged.

The remaining states require interest rates higher than the 8-percent GSL rate. Rates range from 10 percent in Arkansas and New York to 15 percent in Maryland. The most prevalent rate is 12 percent in Alabama, Arizona, Delaware, Texas, and Virginia.

Other factors to evaluate in considering buy-out are amount of time allowance for repayment; grace period; date from which interest is charged (i.e., whether interest is calculated from the first loan disbursement or from the date studies were completed); and the legal obligation incurred by the student. Most states require that the student sign a letter of agreement, written contract, or promissory note at the time of the initial award

specifying the terms to be fulfilled.

A state can employ other strategies to make it difficult for a loan recipient to exercise the buy-out. For example, a recipient of a Kentucky teacher loan who decides not to teach is immediately liable for half of the loan amount plus interest as set by the Kentucky Higher Education Assistance Authority.

Some states provide generous loan amounts for longer periods of time and make it relatively easy for the recipient to repay in cash rather than by service. South Carolina imposes an 8 percent interest rate with 10 years to repay the maximum loan limit of $12,500. This is identical to the GSL terms offered everyone for that maximum amount.

This particular pattern raises questions about how effective the program will be as an incentive for students to become teachers. If the penalties to repay in cash rather than teach are so minimal that they cause little hardship for the individual, the program may be less likely to accomplish its goal--to increase the numbers of students choosing to teach.

Other states provide less assistance and make it more difficult to pay back in cash rather than by teaching. An example is the Mississippi program, which provides a maximum of $6,000. If recipients do not teach they are required to pay half of the outstanding balance over 3 years to "liquidate damages" resulting from that decision. In this instance, the amount of funds and the perceived penalty might actually deter applicants and undermine the goal of such legislation. Finding the correct balance between the "carrot" and the "stick" is thus essential.

Type of Teaching Qualifying for Forgiveness and Repayment

State loan forgiveness and repayment programs to attract teachers are focused on specific personnel needs. The last column of Table 1 illustrates that math and science teachers are the intended recipients in nearly all of the states. Alaska specifies that the funds are to go to those preparing to teach in rural schools. Some states evaluate staffing needs yearly in cooperation, most often, with the State Board of Education. As a result, states have identified bilingual/bicultural education (California);* speech and hearing (Connecticut); special education (Georgia, Indiana); and foreign language teaching as critical shortage areas, along with math and science.

Of the states, 15 require that the teachers qualifying for forgiveness or repayment work in a secondary school. Another 11 states permit teaching in either an elementary or secondary school as a prerequisite for assistance.

Although the majority of the states require the loan recipient to fulfill the teaching obligation in a public school, at least 12 states permit service in private schools as qualification for forgiveness or repayment.

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*California also offers scholarship grants for bilingual/bicultural education.

Administration

Nine states administer their programs through the state scholarship or loan agency. The administering agent is the State Department of Higher Education in six states and the State Department of Education in eight states. Variations on these administrative themes exist in the remaining states.

III. WILL THEY WORK?

The limited time in which most of the state programs have been operative precludes thorough and conclusive analysis of their effectiveness. Complete evaluation of most states must be reserved for several years hence, when there is more information on the numbers of participants in each program, their retention in the classroom, or their decision to utilize the cash repayment option. Data collection of this nature is just getting underway in the states.

However, experiences with earlier loan forgiveness programs--most notably the 1958 National Defense Education Act (NDEA) and the 1963 Health Professions Student Loan Program (HPSLP)--are suggestive of what we might expect from the new wave of loan incentive programs. In addition, some limited evidence is available from several of the state programs.

A Look at the Past

The landmark National Defense Education Act authorized low-interest loans to college students. Borrowers could have up to half of this loan cancelled--or forgiven--by teaching in elementary or secondary schools. It is interesting to note that the original inclusion of loan forgiveness in NDEA was the accident of Congressional compromise rather than representing the passage of a tested policy instrument. "It is almost impossible to apply logic to loan forgiveness," according to Jack Morse, a witness of the event. "Its authors could scarcely have believed that the forgiveness of a few hundred dollars in loans, spread over a five year period, would draw many into teaching who would otherwise have entered more lucrative professions. It can be explained only by suggesting that it was as close to a grants program as the House would buy (in 1958), and it would be defended by pointing to the shortage of teachers."

Little positive effect has been attributed subsequently to the loan forgiveness provisions of NDEA in increasing the number of teachers. Almost 200,000 teachers applied for loan forgiveness, but many later reported they had planned to enter teaching even without the loan money. A 1968 College Board study for the U.S. Office of Education concluded that there was no "clear cut evidence that the teacher cancellation provision has materially contributed to an increase in either the number or quality of teachers." Jim Stedman's 1983 Congressional Research Service study concluded that "many borrowers reap, in essence, a forgiveness windfall doing what they would have done anyway . . . "

Increasing the number of doctors and dentists practicing in underserved

shortage areas was the motivation for the loan forgiveness provisions in the Health Professions Student Loan Program (HPSLP), passed in 1963. Modeled after the NDEA provisions, the program provided low-interest long-term loans to medical, dental, and other health professionals. Upon completion of their degrees, those working in a designated manpower shortage area were eligible to have portions of their outstanding loan forgiven.

The forgiveness provisions in HPSLP have also been evaluated with similar critical results. Two studies by the General Accounting Office, one in 1974 and the other in 1978, concluded that the forgiveness provisions were largely ineffective in increasing the number of doctors and dentists in underserved shortage areas. As with the NDEA program, relatively few anticipated positive outcomes have resulted from HPSLP loan forgiveness provisions.

Current State Experiences

The experience of two states allow some tentative conclusions and observations.

The North Carolina program has aided almost 12,000 students since its inception in 1957. Of this number, slightly fewer than half met certification requirements and repaid their loans by teaching. Twenty-eight percent of the total recipients repaid their loans by cash, and approximately 10 percent met their obligation by a combination of teaching service and cash repayment. The remainder are still in school or are in the early stages of teaching. Therefore, the program has been between 50 and 60 percent efficient in identifying people willing to teach for several years. There is relatively little information, however, on the program's effect in attracting teachers to specific geographical regions or relating to qualitative evaluation of the recipients.

In Kentucky, after 3 years' operation, 140 recipients have graduated (as of May 31, 1985). Of those, 73 percent have found teaching positions. Twenty percent are paying their loan back by cash, with the remaining numbers on deferred status. Whether the 73 percent who are currently in the classroom will remain there for the full 3 years necessary to cancel their loan obligation is an open question. It should be noted that the stringent buy-out provisions (half the funds to be returned immediately) might discourage them from leaving teaching.

The Kentucky situation is also interesting from another standpoint. There are documented reports that the first graduates of the loan program discovered few jobs available to qualify for forgiveness. One explanation is that existing teaching positions were being filled by tenured teachers in other subject areas, who were reassigned to math and science classrooms. This situation is not unique to Kentucky. Thomas Toch has reported in Education Week that loan recipients in other states who were applying for jobs sometimes found no vacancies because teachers with seniority were employed out of their areas of certification.

Several additional observations can be made about the existing programs, especially those with forgiveness. In interviews with program administrators,

many indicated that the loan forgiveness programs were not as successful as had been anticipated and expressed skepticism about their viability. A commonly voiced viewpoint was "the program is probably just financing those who would go into teaching anyway." It is also notable that of the states surveyed, over half reported the available loan funds were not, or were not anticipated to be, completely utilized because of insufficient numbers of applicants. It is difficult, however, to assess how much of this phenomenon can be attributed to the newness of the programs, rather than to a lack of interest in their provisions.

Loan forgiveness or repayment programs by themselves probably will not solve the problem of recruiting and retaining qualified teachers. The reason students are not going into teaching is more complex than just the ability to pay for college. In a recent press release from the Carnegie Forum on Education, Lewis M. Branscomb, chief scientist of International Business Machines Corporation and chairman of the newly created Carnegie Task Force on Teaching as a Profession, notes that "drawing people to teaching who might otherwise become doctors, lawyers, business managers, or computer scientists will require turning teaching into a profession that offers rewards comparable to those in other professions."

It is not within the scope of this paper to offer recommendations about how teaching can become a more attractive professional option. That the low salaries and low status of teachers deter academically talented college students from the classroom is well documented. Higher salaries, improved working conditions, more rigorous entry requirements, and better opportunities for advancement or professional fulfillment must be addressed. The ability to attract and retain the best and the brightest teachers in adequate numbers will depend primarily on making teaching a more desirable career and only secondarily on incentives such as financial assistance.

IV. NEXT STEPS

This paper has surveyed state sponsored financial aid programs designed to draw talented individuals into the teaching force. It has raised some concerns about how effective these programs will be as incentives for students. With programs operative in half of the states, and new ones planned in a number of others, this is an opportune time for policy makers to consider several issues related to the effectiveness of student assistance programs in meeting stated public policy goals.

First, loan forgiveness and repayment programs should be examined not in isolation but against the broader backdrop of other policies aimed at attracting and retaining teachers. The recent number and scope of state legislative actions to improve the teaching profession have been impressive and include approaches such as master teachers, career ladders, higher teacher salaries, peer performance evaluations, and merit pay. Public officials will want to ask how effective loan programs are as incentives when contrasted with other mechanisms. Given the limited financial resources available to implement teacher reform measures, it is imperative to discover which policies, alone or in combination, have the most potential for ameliorating

the problems of teacher supply or stimulating quality.

This leads to a second consideration. Full-scale assessment of these programs should be initiated in the states. Key factors in evaluating the programs' effectiveness will vary according to each state's particular goals. However, common measures might include (1) relationship between number of applicants and awards made, (2) utilization of total funds appropriated, (3) number of recipients opting to use the loan's buy-out provisions, (4) ability to retain teachers after they fulfill their teaching obligation, and (5) availability of the types of teaching jobs to qualify for forgiveness or repayment.

Recent appropriations of state-funded loan programs can only be sustained if there is a favorable perception of these measures, as Michael Kirst's 1985 paper points out. State policy makers must be able to demonstrate that the higher price tag associated with the recently enacted reforms is justified by the results they are producing. Unless states can document positive changes within the next few years, it is possible that the monetary gain of the immediate past will be lost. Assessment, then, must become an integral part of the loan programs.

As an alternative to raising their own start-up funds for loan programs from state tax dollars states should consider the possibility of relying on bank capital and federal subsidies under GSL. State expenditures then would be postponed until the teachers actually enter the classroom and all of the funds would be targeted on those who remain in teaching for the specified time. This approach also relies on existing administrative personnel and procedures in each state and on lenders who will collect automatically from those who do not teach.

Policy makers should also consider the issue of equity and the need for diversity in the backgrounds of students who choose teaching as a career. Given the projected increases in minority elementary and secondary school enrollments over the next decade, a broader range of incentives and programs may be necessary to attract teachers who will be role models for this emerging population. Specially targeted aid for promising minority teachers should be considered.

Within the range of alternatives, policy makers should consider whether grants or scholarships might be more effective than forgivable loans. Gordon Ambach, New York State Commissioner of Education, has proposed a $10,000 scholarship for liberal arts college graduates willing to study for a master's degree and enter teaching in New York State. (In 1985, the state legislature approved a $4,000 stipend along these lines.) Frank Newman has proposed Public Service Teaching Fellowships that would provide a grant of $3,000 per year for each student selected. Newman notes that an advantage of his approach is that "participating students are likely to be attracted from diverse backgrounds." Whether these types of grants or fellowships are more potent incentives than forgivable loans in attracting minorities to teaching deserves additional debate and experimentation.

A final issue to be considered is where prospective teachers choose to be employed. Even if the programs are effective in attracting academically

qualified teachers, such individuals may not be evenly distributed throughout the state's schools. Upon graduation, a loan recipient can seek a teaching position anywhere within the state and in any discipline or school that qualifies for forgiveness or repayment. Given this latitude, it is possible that teaching positions in less desirable schools, whether they be in the inner city or in more isolated and rural districts, may be unfilled because the assistance provided is not enough of an incentive to overcome the disadvantages of teaching in these areas.

The 1986 legislative sessions offer policy makers the opportunity to examine these and other questions as they seek to improve the teaching profession.

Appendix 1
Letter to Chief State School Officers

November 9, 1984

Dear :

Within the past three years, efforts to reform education have been underway in your state. These efforts have taken many forms, but of particular interest to me is your state's program to deal with shortages of math and science teachers.

The Washington Office of the College Board is currently involved in the first stages of a research project that will study state loan and scholarship programs for prospective math and science teachers. Though these programs have attracted the attention and interest of state and national policy makers, there has been no comprehensive survey and analysis of the range and extent of existing state plans.

During the next month I will be contacting you by phone to find out more about your state's program. For example, the College Board is interested in determining:

- if the program involves loans or scholarships;
- when it was enacted;
- funding levels authorized and appropriated;
- number of students assisted;
- amount and duration of assistance;
- forgiveness provisions for loans, if any;
- criteria for receiving assistance.

This will give you an idea of the types of questions I plan to ask. I hope that you (or some designated member of your staff) will be able to assist me in my research efforts when I contact you in the near future.

Your information, and that of your colleagues in other states, will be used as the basis for a paper on the extent of these programs nationwide. Of course, this product will be shared with you when completed.

I look forward to talking with you soon. If you have any questions, please do not hesitate to let me know.

Sincerely,

Irene K. Spero
Associate for Government
Relations

-14-

Appendix 2
Questionnaire to Program Administrators

1. Is it a loan or scholarship program?

2. What year was the program enacted?

3. How much has been appropriated?

4. How many students have been aided each year under this program?

5. Can the program be used for retraining existing teachers or is it only for prospective teachers?

6. Is the program only for science and math education or can it be used to train any teacher?

7. What is the amount of the loan/scholarship available?

8. For what length of time can the loan/scholarship be obtained?

9. If it is a loan, does it allow for cancellation by teaching? What are the conditions for forgiving the loan?

10. How many years are necessary to teach before the loan is completely forgiven?

11. Is the program need based? What are the eligibility criteria?

12. Can the funds be used for graduate, as well as undergraduate study?

13. To qualify for forgiveness, must the recipient teach elementary and/or secondary schools?

14. Must the recipient teach in state to qualify for forgiveness?

15. Does teaching in a private school qualify for forgiveness?

16. If a student does not teach, what is the repayment penalty?

17. Are there sunset provisions for the act?

18. Who administers the program?

19. Have you been able to use all the money appropriated? If not, what problems have you encountered in making awards?

20. What is the starting salary for teachers?

21. Do you make provisions for students who receive awards and are unable to get teaching jobs that qualify for forgiveness?

Appendix 3
Summary Description of State Programs

State Financial Aid Programs To Attract Teachers

ALABAMA

$1 million in forgivable loans of up to $3,996/year for up to 2 years. Undergraduates and recertification. One year of loan is forgiven by teaching 3 years. No need.

William Wall
Assistant Director
Alabama Commission on Higher Education
Suite 221
One Court Square
Montgomery, AL 36197-0001
(205) 269-2700

ALASKA

$90,000 for forgivable loans of $7,500/year for up to 5 years for undergraduates who plan to teach in rural schools. Loan will be completely forgiven by teaching five years in a rural school. No need.

Jane Maynard
Director for Special Programs
Alaska Commission on Postsecondary Education
Pouch-FP
400 Willoughby
Juneau, AK 99811
(907) 465-2854

ARIZONA

$40,000 in forgivable loans up to $4,000/year for 2 years to undergraduates. One year of loan is forgiven by teaching 2 years. No need.

Odus V. Elliott, Ph.D.
Associate Director for Academic Programs
Arizona Board of Regents
1535 West Jefferson Street
Phoenix, AZ 85007
(602) 255-4082

ARKANSAS

$100,000 in forgivable loans of up to $2,500/year for 4 years to undergraduates. One-fifth of loan is cancelled for each year taught. No need.

Larry Lanes
Assistant Coordinator of Student Aid
Arkansas Department of Higher Education
1301 West 7th Street
Little Rock, AR 72201
(501) 371-1441

CALIFORNIA

$1 million for repaying up to $8,000 of outstanding student loan debt over 3 years for current math, science or bilingual teachers.

Kent Harber
California Student Aid Commission
1410 Fifth Street
Sacramento, CA 95814
(916) 323-0435

CONNECTICUT

$350,000 in forgivable loans up to $5,000/year for undergraduates and graduates for 2 years. 20% of loan is forgiven for each year taught. No need.

John Siegrist
Director of Student Financial Aid
Connecticut Department of Higher Education
61 Woodland Street
Hartford, CT 06105
(203) 566-2618

DELAWARE

$200,000 for 5-part program including forgivable loans and teacher scholarships. Undergraduates can receive up to $5,000/year for 4 years. Loan is forgiven by teaching 2 years for each year of assistance. Teacher scholarships pay full salary for one year for those seeking recertification in math and science. No need.

Sidney Collison
Assistant State Superintendent of Public Instruction
State Department of Public Instruction
P.O. Box 1402
Townsend Building
Dover, DE 19901
(302) 736-4645

FLORIDA

$1.5 million in forgivable loans of up to $4,000/year for 2 years for undergraduates planning to teach math or science or other critical areas. Loan forgiven by teaching 2 years for each year of assistance. No need. Also $300,000 for loan repayment for existing teachers and $200,000 for tuition reimbursement for current teachers seeking recertification in math and science.

Maryelizabeth Sweeney
Director of State Programs
Office of Student Financial Assistance
State of Florida
Department of Education
Tallahassee, FL 32301
(904) 488-4095

GEORGIA

$135,000 in forgivable loans for undergraduates of $1,500/year for 2 years. One year of loan is forgiven by teaching one year. Also for special education teachers. Need based.

Bob McCants
Georgia Student Finance Commission
2082 East Exchange Place
Suite 200
Tucker, GA 30084
(404) 493-5451

ILLINOIS

$75,000 in forgivable loans to assist current teachers to prepare for secondary math and science certification.

Susan Bentz
Assistant Superintendent for Department of Professional Services
Illinois State Board of Education
100 North First Street
Springfield, IL 62777
(217) 782-3774

INDIANA

$50,000 for repaying up to $10,000 of an outstanding Indiana GSL over 5 years for current science, math and special education teachers. Also $150,000 for certified teachers to retrain as math and science teachers.

Lisa Zay
Special Programs Coordinator
Indiana State Student Assistance Commission
964 North Pennsylvania
1st Floor
Indianapolis, IN 46204
(317) 232-2350

IOWA

$30,000 for loan repayment of up to $6,000 of an existing GSL if currently teaching math or science in secondary school; reimburse up to $1000 of loan for each year of teaching. Also $40,000 for forgivable loans of $1,500 for one year for current teachers to advance as approved math and science teachers; loan will be cancelled if you teach 2 years.

John Heisner
Associate Director
Scholarship/Grant Division
College Aid Commission
Jewett Building
Des Moines, IA 50319
(515) 281-3501

KENTUCKY

$410,000 in forgivable loans for undergraduates of $2,500/year for 3 years. Funds for recertification also. One year of loan is forgiven by teaching one year. Need considered.

Akeel Zaheer
Administrator
Math/Science Incentive Loan Program
Kentucky Department of Education
Capitol Plaza Tower
Frankfurt, KY 40601
(502) 564-3010

LOUISIANA

Forgivable loans for undergraduates of $2,000/year for 4 years. One-fifth of loan is forgiven for each year taught. No need. No appropriation currently.

David A. Hamilton
General Counsel
Louisiana Department of Education
Baton Rouge, LA 70804
(504) 342-3732

MAINE

$500,000 for undergraduates and current teachers seeking graduate work. $1,500/year up to 4 years. One half of loan is forgiven for each year taught in an "underserved" subject area. No need.

Fred Douglas
Director of Higher Education
Maine Department of Education and Cultural Affairs
State House Station
Suite 23
Augusta, ME 04333
(207) 289-2181

MARYLAND

$80,000 in forgivable loans for undergraduates up to maximum of $5,000 for 4 semesters. Loan forgiven by teaching 1 1/2 years for each year of assistance. No need.

Michael A. Smith
Program Administrator
Teacher Education Programs
Maryland State Scholarship Board
2100 Guilford Avenue
Baltimore, MD 21218
(301) 659-6420

MASSACHUSETTS

$235,000 in forgivable loans of up to $2,000/year for 2 years to undergraduates planning to teach math and science. $300,000 in forgivable loans for those planning to teach other subjects. One year of loan will be forgiven for each year of teaching. Need based.

Julie Walsh
Staff Assistant - Student Affairs
Massachusetts Board of Regents
1 Ashburton Place
Suite 619
Boston, MA 02108
(617) 727-0644

MISSISSIPPI

$100,000 in forgivable loans up to $3,000/year to undergraduates for 2 years. 2 years of loan is forgiven for 4 semesters of teaching. No need. Also $90,000 in forgivable loans up to $3,000 for summer study for current teachers seeking recertification in math and science.

Dotty Strain
Assistant Financial Aid Officer
Board of Trustees of State Institutions of Higher Learning
P.O. Box 2336
Jackson, MI 39225-2336
(601) 982-6168

NEBRASKA

$100,000 in forgivable loans for undergraduates of $500/semester up to total $3,000. Can be used by current teachers seeking endorsements in math and science. One $500 loan is forgiven for each semester taught. No need.

Don Woodburn
Director, Mathematics/Science Loan Program
Nebraska Department of Education
P.O. Box 94987
301 Centennial Mall South
Lincoln, NE 68509
(402) 471-2295

NEW YORK

$1.6 million in forgivable loans for undergraduates of $3,000/year up to 4 years. Loan forgiven if teach one year for each two years of assistance. No need. Also fellowships for graduate study leading to certification as a math or science teacher.

David Bauer
Administrator of Postsecondary Testing Programs
New York State Education Department
Albany, NY 12230
(518) 474-3216

NORTH CAROLINA

$400,000 in forgivable loans for undergraduates of up to $2,000/year for up to 4 years; one year of loan is forgiven for each year taught. All prospective teachers, not just math and science. No need.

Lee Grier
Director
Division of Staff Development
North Carolina Department of Public Instruction
Raleigh, NC 27611
(919) 733-2095

PENNSYLVANIA

$300,000 in forgivable loans to undergraduates for a minimum of $1,500/year up to 4 years. Loan is forgiven by teaching one year for each year of assistance. No need. Also a loan repayment program for current math and science teachers.

Sam Sobczak
Mathematics and Science Program Officer
Pennsylvania Higher Education Assistance Agency
Town House Apartments
Harrisburg, PA 17126
(717) 787-1937

SOUTH CAROLINA

$1.5 million forgivable loans for undergraduates of $2,500/year up to $12,500 maximum. For recertification also. No need. One-fifth of loan is forgiven for each year of service.

Frank Kinard
Associate Director for Academic Affairs
South Carolina Commission on Higher Education
Rutledge Building
1429 Senate Street
Columbia, SC 29201
(803) 758-2407

TENNESSEE

$200,000 in forgivable loans to undergraduates of $1,500/year for up to 4 years. Loan is forgiven by teaching one year for each year of assistance. No need.

Stella Flynn
Teacher Loan/Scholarship Program Administrator
Tennessee Student Assistance Corporation
B-3 Capitol Towers
Suite 9
Nashville, TN 37219
(615) 741-1346

TEXAS

$1.2 million in forgivable loans up to $1,000/semester for undergraduates and current teachers for 4 regular semesters for a maximum of $4,000. Critical shortage areas. One semester of loan is cancelled for each year taught. No need. $1 million in forgivable loans to undergraduates and graduates for up to $2,500/year to maximum of $5,000. Critical shortage areas. After 4 years of teaching loan is completely cancelled. Need based.

Mack C. Adams
Assistant Commissioner for Student Services
Coordinating Board
Texas College and University System
P.O. Box 12788
Austin, TX 78711
(512) 475-8169

VERMONT

$10,000 in loan repayment for current teachers of math and science with outstanding loans guaranteed by Vermont Student Assistance Corporation.

Donald Vickers
Assistant Director
Vermont Student Assistance Corporation
Champlain Mill
P.O. Box 2000
Winooski, VT 05404
(802) 655-9602

VIRGINIA

$120,000 in forgivable loans up to $2,000/year for 2 years to undergraduates. One year of loan is forgiven for each year of teaching. No need.

Wyndel Hylton
Special Assistant for Professional Development
Virginal Department of Education
P.O. Box 60
Richmond, VA 23216
(804) 225-2094

WASHINGTON

$500,000 in forgivable loans up to $10,000 total to undergraduates. Ten percent of the loan is forgiven for each year taught. Need based.

Marilyn Sjolund
Program Associate
Council for Postsecondary Education
908 E. Fifth Avenue
Olympia, WA 98504
(206) 753-1147

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THE IMPACT OF STUDENT FINANCIAL AID ON CAREER CHOICE

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AT THE THIRD ANNUAL RESEARCH CONFERENCE OF THE
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THE IMPACT OF STUDENT FINANCIAL AID ON CAREER CHOICE

The teacher shortage currently confronting the nation's schools has caused policy-makers to scramble for incentives to recruit hundreds of thousands of persons into the teaching profession. Many of these policy-makers have called upon a strategy employed a generation ago in the post-Sputnik era -- the cancellation of student loans in exchange for teaching in elementary or secondary schools. This almost reflexive response for enhancing the labor supply of teachers germinates from the general perception that the loan forgiveness components of the National Defense Education Act (NDEA) of 1958 had a positive influence on large numbers of prospective teachers. However, this perception is not born out in the research. Thus, before federal, state, and local government spend millions of dollars in new career-targetted programs, it behooves them to carefully analyze and understand the impact which various forms of student financial aid have on career decisions. This paper attempts to assist policy-makers in designing and implementing effective career-targetted programs by examining the relative impact of prior governmental attempts to lure individuals into specific professions through the use of student financial aid.

Issues involved is assessing the impact of student financial aid extend far beyond recruiting teachers, as it addresses the impact of such incentives on individual and collective behavior. The lessons gleamed from this study, therefore, also have implications on student access, institutional choice, enrollment patterns for minorities, in addition to luring students into specific professsions.

The policy questions become: can the labor supply be significantly bolstered through student financial aid? What impact are the various forms of career-targetted aid likely to have? How have the various forms of aid fared in parallel situations? What are the key ingredients to a successful career-targetted student financial aid program?

The first form of aid explored here is loan forgiveness, defined as the form of aid in which part or all of a loan can be forgiven if a recipient chooses to cancel the debt through service. In this instance, an individual receives student financial aid during one's studies and later decides whether to provide a particular service. This was the form of aid issued in the 1958 NDEA. An alternative form of aid is that termed service-payback, in which an aid recipient accepts assistance in exchange for a binding commitment to provide a specific service as an *a priori* condition of assistance. The service-payback modality has effectively been employed by both the Reserve Officer Training Corps (ROTC) and the National Health Service Corps Scholarship Program. Finally, subsidized student loan programs, direct grants, and work-study are analyzed to determine their potential impact for recruiting large numbers of individuals into specific professions. The final section summarizes the findings, emphasizing the critical factors in designing a successful career-targetted aid program.

When attempting to assess the impact which career-targetted recruiting programs have on student behavior, a precautionary note is necessary Selecting a career is an extremely complex process involving the interaction of individuals and groups with social constraints to produce an aggregate of independent decisions. Factors involved in career choice include the desire for congenial working conditions,

economic rewards, prestige, and the opportunity for promotion. In addition other influences on career decision include family background, education, and other intangible facors. Clearly, without addressing other aspects of a profession, no recruitment program can serve as a panacea for recruiting large numbers of persons into a specific occupation. Nevertheless, recruitment of persons into service-oriented professions continues to be a concern of policy-makers accross the country, and therefore, merits careful analysis.

LOAN FORGIVENESS

Loan forgiveness entails permitting the cancelation of part or all of a prior loan through service. When this modaility was used in the health and teaching professions, the results were disappointing.

The Health Professions Student Loan Program (HPSLP) was established in 1963 as a recruiting incentive designed to encourage health professionals to serve in federally designated Health Manpower Shortage Areas (HMSAs) by allowing student loans to be forgiven at annual rates of 10% and 15%. From the outset, participation in the voluntary HPSLP loan forgiveness program was minimal. Of the 30,000 students who obtained HPSLP laons between 1965 and 1972, only 219 obtained loan forgiveness.[1] Congress recognized this low participation rate and authorized more liberal forgiveness provisions such that all student loans (not solely graduate school) were eligible for forgiveness. But even this more liberal loan repayment provisions failed to induce large numbers of professionals to work in medically underserved areas, as only 762 of the 45,000 (1.7%) graduating physicians eligible for loan forgiveness between 1973 and 1977 had their loans forgiven.[2]

Furthermore, of those who did receive loan forgiveness benefits, over four-fifths would have practiced in the same location regardless of this "incentive."[3] This low participation rate led the General Accounting Office to conclude that "the more liberal loan repayment program does not seem to have been a significant factor in encouraging physicians to voluntarily serve in health manpower shortage areas.[4]

In retrospect, the program's major shortcomings were two-fold. First, a majority of students with loans were not aware of the loan forgiveness provisions. An astonishing 29% of those receiving loan forgiveness learned of this provision after they were already in practice.[5] Second, the loan cancelation provisions did not provide a sufficient monetary incentive. Compared to a physician's annual salary, the avarage annual amount forgiven ($2,500) was too small to induce large numbers of health professionals to practice in the targeted areas.

The use of loan forgiveness to recruit teachers has also been attempted. Title II of the National Defense Education Act of 1958 contained provisions allowing National Defense (renamed Direct) Student Loans (NDSL) to be partially forgiven in return for teaching in elementary and secondary public schools. For every year an individual taught in an eligible program, 10% of the principal and interest on a NDSL was forgiven, up to a total of 50%.

The College Entrance Examination Board's review of the loan forgiveness program found that this "incentive" had a minimal impact on the nation's supply of teachers. This finding was derived by comparing the rate of increase in the number of classroom teachers before and after the forgiveness program was instituted.[6] The primary reason that this loan forgiveness program failed to make a significant impact on

people's career decisions was that the amount of debt forgiven was relatively small.[7] The average principal forgiven was only $85 a year, or $425 over five years. This amount is relatively insignificant in view of the fact that the average teacher salary at the time (1966) was $6,500.[8] A 1983 Congressional Research Service study stated that, "...one is struck by the irony that, although over 1 million borrowers have had nearly half a billion dollars forgiven, there is little positive effect noted in the literature concerning NDSL forgiveness."[9]

Recent attempts to lure students into teaching have also fallen short of their goals. In the wake of the current education reform movement, 28 states have instituted some form of loan forgiveness. The College Board recently reviewed these attempts and found that these laon forgiveness programs have not been as successful as had been anticipated.[10]

In sum, the loan forgiveness provisions in the HPSAP and the NDEA were more windfalls than catalysts: they rewarded those who probably would have made the same decision regardless of these government "incentives."

SERVICE-PAYBACK

Service-payback is a form of aid whereby recipients accept educational benefits in exchange for a commitment to provide service at a later date. While service-payback is similar to loan forgiveness, experience in the Reserve Officer Training Corps scholarship program and the National Health Service Corps Scholarship Program demonstrates that service-payback has tremendous potential for recruiting high-caliber persons into specific careers.

The archetypal service-payback scholarship program is the armed forces ROTC scholarship program. ROTC scholarships are awarded to college students in exchange for a commitment to serve in the military at a later date. The ROTC program became especially important during the past decade as the volunteer forces replaced the draft. ROTC programs now provide the Army with three-fourths of its commissioned officers.

Students qualify for ROTC scholarships by scoring above a certain cutoff point on their College Board exams, passing a physical exam, and performing satisfactorily in a personal interview. ROTC scholarships cover the costs of a student's tuition, books, and a living stipend of $100 per academic month. Military recruiters also mention post-service benefits, including home loans at discounted rates, bonus points for many government jobs, and the option of working in the reserves throughout school. In return for these benefits, ROTC undergraduate scholarship recipients receiving two, three, or four-year scholarships must commit themselves to four years of active duty or eight years in the reserves.

The military's success at enrolling thousands of officer-quality college students via ROTC is due partly to its aggressive and innovative recruitment stategy which effectively touches the potential recruit's extrinsic and intrinsic needs. The extrinsic rewards, which are based on the Pentagon's underlying belief that the military can buy people's services, include items such as scholarships, salaries, benefits, and pension plans. The intrinsic components appeal to the person's need to feel fulfilled. This is manifest in the current "Be all that you can be" advertising slogan, which challenges the young persons to realize their potential. The ROTC's service-payback scholarship program has become

an essential recruiting and training tool for U.S. Army officers. One recruiter stated flatly, "To survive, we must have ROTC."

The success of service-payback is also evident in the health field. Recognizing that the loan forgiveness provision in the HPSLP program was inadequate at recruiting health professionals to serve in shortage areas, Congress instituted the National Health Service Corps Scholarship Program (NHSCSP), which has significantly enhanced health care delivery to many of the nation's poor.

NHSCSP scholarships were designed to produce a cadre of health practitioners legally obligated to pay back their "scholarships" through public service. Scholarships were allocated according to selection criteria that emphasized the applicant's prior work experience in shortage areas, personal background, faculty recommendations, desire to practice primary care in a shortage area, and academic record. NHSCSP paid the scholar's tuition, fees, books, and equipment, plus a $400 monthly stipend for living expenses. In return, recipients were required to work in a clinic one year for each year of assistance (with a two year service minimum) in a rural or urban HMSA. Since the program's inception, 13,559 health professionals have been awarded NHSCSP scholarships and have already served or have committed themselves to serve in shortage areas.[11]

Although many students were anxious to receive financial aid, they were less enthusiastic about actually serving in an HMSA. Under the "old" law (pre-1977), individual who failed to meet their obligation could "buy-out" (pay back in monetary payments in lieu of service) by repaying the government the actual amount of the scholarship. This relatively cheap buy-out cost led many students to regard the aid more as a

student loan than as a serious service commitment. Congress recognized this flaw and responded by tripling the buy-out costs for those who failed to meet their commitment. The "new" (post-1977) law required defaulters who failed to serve to pay back an amount equal to three times the amount of the "scholarship" plus interest at the maximum prevailing rate in the District of Columbia. The result of the new law an aggressive enforcement program by the Department of Health and Human Services is a much higher rate of service by NHSCSP scholars in medically underserved areas.

The NHSCSP has provided a tremendous boon to health care for millions of Americans who otherwise would not have received adequate service. One study concluded that the NHSCSP "is a viable mechanism for the development of health manpower and has demonstrated that it can provide the National Health Service Corps with the manpower resources that are necessary if the Corps is to have an effective impact on the populations and areas in need of health benefits.[12]

Enrollment patterns in NHSCSP and the ROTC scholarship programs are similar in that participation rates in both programs are tuition sensitive. That is, the higher the cost of a school's tuition, the greater the relative value of the scholarship. This results in higher participation rates at the more expensive (private) institutions.

A critical factor in the success of both of these programs is the ongoing communication between program administrators and participants. The NHSCSP had numerous vehicles to encourage communication with participants through an "Acclimation" program. This innovative program featured magazines and newsletters, regional conferences, a toll free hot-line, and a network of student and faculty

"advocates" at medical schools who served as liaisons between the medical school students and the Corps' administration. Likewise, Military Science departments offer academic classes, leadership labs, counseling sessions, and summer programs at military bases. The steady flow of communication among ROTC students and their peers promote an espirit de corps and helps prepare participants for service. Thus, constant communication between program administrators and participants is a critical ingredient for success.

Both the ROTC and NHSCSP programs confronted the length of the "pipeline" -- the time lapse between entry to training and actual service. An entering medical student has four years of medical school and three years of residency before starting to work at an HMSA site. Much can happen during seven years to affect an individual's willingness to fulfill the commitment. A doctor may choose not to practice in a primary-care capacity, develop a distaste for living/working with an indigent population, or marry a partner who refuses to live in the placement area. The same problem reappears in the military, as changes may occur because of new professional goals, pressure from a new college environment, or fear of active duty. The pipeline must be considered when designing a career-targetted program

A review of these programs points to the following trends: programs based on the loan forgiveness model have a disappointing record for inducing individuals into specific careers while programs based on the service-payback model have enjoyed much greater success. In addition to the differences highlighted above, an even greater difference between the two programs is likely to be the psychological factors involved. A person who considers entering a professional

program probably is influenced more by immediate benefits than by a future promise of debt redemption.

GRANTS

The most traditional form of financial aid is that of a direct grant. It can be used effectively to increase opportunity or access for economically disadvantaged students (Pell Grant), reward for a past service (G.I. Bill), or to influence actions in a particular way (athletic scholarships). While this non-commital form of aid may be attractive to potential recipients, there is no evidence that grants can actually induce persons into providing a service. It is conceivable that large sums of money could be given to persons who never end up providing the service (teaching). Unlike a service-payback program which binds a person who has received aid, the government has no recourse for collecting from "defectors". One can imagine the potential abuses that this type of program could encounter.

SUBSIDIZED STUDENT LOANS

Subsidized student loans are frequently used to expand access and choice to higher education institutions. The government subsidizes these loans by covering the difference between the interest rate paid by the recipient and the actual cost of the loan, the interest payments on the loan while the student is in school, and by insuring the loan. As a rule-of-thumb, the government pays approximately fifty cents for every dollar loaned.

Despite their wide-spread use, subsidized loans are an inappropriate solution for recruiting new persons into lower paying professions such as teaching. There is strong evidence that student loans have a negative

influence on student persistence (defined as the rate at which enrolled students complete their studies within a time frame). Nor will recipients perceive this loan subsidy to be a strong incentive to enter teaching. On the contrary, saddling students with large debts can actually push prospective teachers toward higher-paying professions. Experience also shows that many students (particularly those from low socio-economic backgrounds) are hesitant to go into debt. These factors, combined with the high cost of the subsidy to the government render this modality a poor policy vehicle for carreer-targetted recruitment.

SPONSORED EMPLOYMENT

The final financial aid alternative discussed here that of sponsored employment program. This strategy provides part-time employment to college students and can serve many functions simultaneously. Traditionally, the federal government's College Work Study (CWS) has targeted jobs for economically disadvantaged college students, yet the sponsored employment concept could be applied to encourage students to enter teaching.

The CWS program has proven to be a popular form of aid from many perspectives. Students like the fact that it offers them a debt-free method of financing their college education. It also encourages students to get more involved in campus activites and acquire skills and work experiences which often help them in their career developoment. Employers like it because they enjoy the services provided by the recipient. Finally, politicians like it because it emphasizes a "self-help" philosophy. Therefore, it is conceivable that sponsored-employment programs could be established to encourage college students to work

part-time in career-related jobs both during the academic year and summers.

SUMMARY

Based on past experience with student financial aid, the following ten commonalities can serve as policy guidelines for future incentive programs aimed at recruiting persons into specific professions:

1. Carefully Define the Need. Before embarking on an ambitious program, policymakers must clearly define the need for an incentive program. Only after this is done can a program be tailored to redress a problem.
2. The Right Form of Aid. As the above research demonstrates, not all student-aid programs are equally effective. Programs should be tailored to meet specific needs.
3. The Proper Amount of Aid. Prospective recruits must perceive that the benefits are worth pursuing. Insignificant awards will not inspire significant commitment. This relation between size of award and participation rate is manifest in both the ROTC and NHSCSP programs. In addition, as a way of preserving their effectiveness, awards should be indexed to the inflation rate.
4. Consider the "Pipeline" Factor. The pipeline represents the number of years from when individuals decide to teach to when they start providing the service. Generally, the longer the pipeline, the greater the risk that an individual will change career plans.

5. Criteria for Selection. Planners need to determine the qualifications of recipients. Priorities could be granted to those with special skills.
6. Rigorous Enforcement. The conditions of assistance and the ramifications for violating the agreement must be clearly stated and enforced. The lack of adequate enforcement mechanisms contributed to a high default rate in LEEP and other student loan programs. An example of what rigorous enforcement can accomplish is found in the NHSCSP and ROTC scholarship programs.
7. Active Communication. Recipients should be contacted regularly so that they know what is expected of them. Such communication to the sense of purpose and helps build an esprit de corps among participants. This is particularly critical in the service-payback programs.
8. Visible Political Constituency. A visible constituency is crucial when lobbying elected officials for funds. Subsidized student loan programs have survived political vicissitudes for nearly three decades due, in part, to broad-based political support.
9. Aggressive Public Awareness Campaign. Prospective program participants must be aware of the program. The ROTC media campaigns provides a model of such a pulic-awareness campaign.
10. Targeted Groups. A program can be tailored so that individuals with certain qualities are likely to participate.

Preference can be given to persons with specialized skills or exceptional backgrounds.

In sum, as policy-makers search for a greater understanding of the impact of career-targetted student financial aid on career choice, it behooves them to understand the results of prior attempts to redress labor shortages through student financial aid. If properly designed and implemented, student financial aid represents a viable incentive. This analysis of recent experience with financial aid to recruit capable college students into other occupations leads to a firm conclusion: work-study and service-payback are promising, practical recruiting devices. Scholarships and loan forgiveness are not.

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[1]General Accounting Office, "Congressional Objectives of Federal Loans and Scholarships to Health Professions Students Not Being Met", B-164031(2), May 24, 1974. p. 40.

[2]General Accounting Office, "Progress and the Problems in Improving the Availability of Primary Care Providers in Underserved Areas". HRD-77-135. Aug. 28 1978.

[3]Ibid p 50.

[4]Ibid p 56.

[5]Ibid p. 52.

[6]U.S. Senate, Committee on Labor and Public Welfare. Subcommittee on Education. Notes and Working Papers Concerning the Administration of Programs Authorized Under Student Financial Aid Statutes. 90the Congress, 2nd Session. Washington, U.S. Government Printing Office, 1968. p. 46.

[7]Ibid p. 46.

[8]Ibid. p. 47.

[9]Stedman, Jim,"The Experience with Loan Forgiveness and Service Payback in Federal and State Student Aid Programs." Congressional Research Service. The Library of Congress, Jan 27, 1983.

[10]Spero, Irene K., The Use of Student Financial Aid to Attract Prospective Teachers: A Survey of State Efforts, College Entrance Examination Board, New York. February, 1986.

[11]Fact Sheet, National Health Service Corps, U.S. Department of Health and Human Services. March 1985, Rockville, MD.

[12]Michelson, Ernest and Norman Crondquist, "Scholarships Now for Service Later: Meeting the Health Manpower Needs of Medically Underserved Areas," Public Health Reports, January-February, 1979, Vol. 94 p. 16.

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Some Observations on Loan Debt Burdens

By

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Today I want to address a concern that is relatively new to the list of topics that interest financial aid policymakers and policy analysts. The topic is student loan debt burdens.

The interest in debt burdens has arisen from the central fact that our system of student financing of postsecondary educational costs is fast becoming a loan-based one. A few facts quickly illustrate the situation. In 1975-76, about $1.8 billion or 17 percent of the total $10.5 billion in aid from all sources was in the form of loans. By 1985-86, about $10 billion or 54 percent of the estimated $18.5 billion in aid was in the form of loans. Between 1974-75 and 1983-84, the average GSLP debt for students leaving Pennsylvania four-year colleges with baccalaureate degrees nearly doubled, growing from about $3,600 to $7,000. Even more significant is the fact that the numbers of such students with any GSLP debt nearly tripled in that same time period -- during a period of quite stable enrollments. Average GSLP debts and numbers of borrowers with debts increased even more among graduate and professional school borrowers. (These data are documented in a PHEAA report entitled, "Growing By Leaps and Bounds." Copies of the report are available on request.)

The soaring student loan debts and the increasing use of loans to fund student access to and choices among postsecondary educational options have drawn attention to the potential effects of debt on many different student and borrower behaviors. Probably the first of these effects of concern to most policymakers is the default rates for student loans. As borrowing has increased, so has the volume of defaults. However, there is little evidence that indicates that greater debt levels are associated with greater default probabilities or default rates. Default probabilities are more directly related to the numbers of years spent in school and types of school attended.

Using Pennsylvania as an example, we find that the default rate among four-year college borrowers who attended just one year of school was two and a half times the rate for borrowers who spent four years in school, 15.7 percent as compared to 6.1 percent. Among Pennsylvania borrowers who attended less-than-four-year institutions, the default rate of students who spent one year in school was twice that of borrowers who stayed for a second year, 35.3 percent as compared to 17.7 percent.

Higher default rates also were often associated with the borrowers' family financial statuses with lower-income borrowers more likely than upper-income borrowers to default on their loans, even when completed years of school and types of institutions attended are held constant. Among lower-income borrowers, the fact of having accepted a loan and subsequently being unable to find a job after leaving school is the primary "cause" of default -- not the magnitude of the loan debt itself.

Another concern that prompted interest in debt burdens was the difficulty borrowers had in meeting loan payments on two or more loans. This lead to the implementation of loan consolidation programs which met their demise in 1983 but have risen again with the passage of the Default Reduction Act of 1985. Consolidation was and is designed to help handle debt burdens but I suspect the major impetus for consolidation was the default potential of multiple loans. That and the potential for Sallie Mae and others to earn money through consolidation programs.

A third concern which drew attention to debt burdens is the huge indebtedness of professional school students, particularly those in law and the health professions. In the case of health professions students, loan debts are particularly troublesome because interest on their HEAL loans ran quite high during the early part of the decade and added much to their monthly payments.

A fourth concern that drew attention to debt burdens is that students who attend private colleges have had to finance increasing proportions of their higher costs through loans. There is concern that students will be less likely to choose to pay the higher private colleges costs through loans and will enroll instead at lower cost public institutions. Thus a loss of student "choice" among postsecondary opportunities is at issue.

Another concern with loan debt is its potential effect on student access to any type of postsecondary education. The hypothesis here is that low-income students and families are very reluctant to borrow to finance postsecondary study. Consequently, increasing reliance on loans as financial aid is thought to reduce access. Many of us believe the situation has contributed to reduction in education participation rates among minority/poverty students. However, it is difficult to statistically prove this is the case. Our analysis of CSLP debt levels of lower-income Pennsylvania borrowers who attend different types of postsecondary institutions shows no important differences in their borrowing levels and those of middle- and upper-income borrowers. The lower-income Pennsylvanians who choose to attend college exhibit no reluctance to borrow. In fact, members of the most desperately needy student cohort, the students who attend less-than-two-year programs at proprietary, business, trade, and technical schools, have increased their borrowing percipitously during the past five years.

In recent years, the effects of necessary borrowing on student choices of majors, careers, and other activities after graduation have gotten considerable attention. The NASFAA study Dr. Boyd has just described is an illustration of concern for some of these effects.

It has been argued by more than a few persons that increasing student debt burdens may have a disastrous effect on the nation's consumer economy. The rationale behind this concern is that the students' indebtedness will inhibit if not prohibit their participation in the consumer economy as they might have to forego purchases of cars, houses, and other consumer goods and services. Let me take a few minutes with a few numbers to try to disabuse you of the merits of their argument at the macro-economic level. In 1984, there were 174 million persons in America who were 18 years of age or older. Of these persons, 29 million or about 16.7 percent were in the primary college age cohort, ages 18 to 24 years. We can estimate reasonably that 15 million, slightly over half, are attending or will attend postsecondary education. Let's suppose that 8 million borrow to pay for their education. Of those who borrow, let's suppose that one million, 12.5 percent, borrow to an extent that they experience some kind of debt burden. These one million borrowers would represent only 3.4 percent of the 29 million persons in the cohort and less than six-tenths of one percent of all persons age 18 years or older. It is unlikely that a debt burden perhaps lasting for only as long as seven years for this few citizens would have any measurable effect on our nation's consumer economy. Therefore, I don't think this macro-economic impact argument can carry us very far in our attempts to persuade policymakers that student debt burdens are worrisome.

Furthermore, I have some serious personal reservations about using the "economic impact" argument to attempt to persuade public policymakers to take action to reduce the students' debt burdens by the obvious means of increasing their grant aid. I personally do not care that some borrowers might have to drive used Buicks rather than new BMW's or Saab Turbos, that others might have to live for awhile in rented houses or apartments before being able to buy homes, or that some might have to take vacations at home rather than abroad if enabling them to drive new cars, buy homes, or take vacations abroad requires using scarce public revenues to fund grant programs to reduce their loan burdens. Scarce public resources, from my viewpoint, would better be used to feed and house the thousands of hungry and homeless citizens who have not had the opportunity to avail themselves of postsecondary education. For these reasons, I hope that you will avoid "economic impact" arguments in your attempt to persuade policymakers to remedy

student loan debt burden problems. There are more persuasive and ethical arguments at your disposal.

The concerns about the effects loan debt burdens have prompted renewed interest in financial aid counseling. For example, the College Scholarship Service held a colloquium on this topic in December and published its proceedings in January. If you have not read that report, I urge you to do so. It contains an excellent discussion of the issues and provides helpful references for further study. Another example of interest in loan debt burdens and counseling activities to help ameliorate them is found in the NCHELP Lender Relations Committee's decision to form a special subcommittee to assemble data on the loan debt counseling activities and programs of institutions and agencies. (The CSS conference proceeding mentioned a moment ago describe in detail some of those activities and programs.)

The concerns about the effects of increasing loan debt are widespread and involve many issues. From the researcher's or policy analyst's point of view, these concerns are reflected in the following kinds of questions: (1) At what levels do student loan debts become a burden, and for whom? (2) How many and what kinds of students experience loan debt burdens? (3) What effects do potential loan burdens have on student access to and choice among postsecondary institutions and, to a lesser extent, on choices of majors? (4) What effects do real loan burdens have on borrower choices of post-baccalaureate activities, such as employment, career, further study, lifestyles, marriage, and purchase of consumer goods and services? There are no easy answers to any of these questions.

The burden of student loan indebtedness is largely a function of the ratio of monthly loan payments to earnings after leaving school. If the payments are larger than the student borrower can "reasonably afford," then the borrower is considered to have a "loan burden." But there is lack of objective evidence on how much borrowers can "reasonably afford" and there is even less evidence to assess the impact on the behavior of students and borrowers who find or are likely to find themselves with loan debts they cannot "reasonably afford."

Let me give you some examples of studies that have attempted to develop measures of debt burden. Andre Daniere's 1969 study for the Joint Economics Committee suggested that students could reasonably afford loan payments equal to six percent of their pre-tax income or 7.5 percent of their after-tax income. Ten years later, Richard Kraus, then associate dean of the graduate school of arts and sciences, developed a pamphlet for his prospective student borrowers that assessed debt burdens through the Uniform Methodology, the logic being that the UM provides a means of assessing ability to pay for postsecondary education from current resources and would, therefore, be useful in determining when loan repayment obligations would become burdensome. Dwight Horch's ETS study of manageable debt levels for the class entering in 1985 differentiated between students entering high-, middle-, and low-income occupations and suggested that respective loan debts of less than 9.0 percent, 7.2 percent, and 5.75 percent of after-tax income were manageable. Joe Boyd's NASFAA study suggests that repayment amounts in excess of $100 and eight percent of monthly gross income represent repayment burdens.

These studies suggest a rather narrow range of loan debts to income ratios that represent reasonable debt levels for most borrowers. I suspect that a range of ratios is about as much as we can ever hope for in answer to the question of when debt levels become burdensome. If you look at data on lender evaluations of "acceptable" monthly credit card and mortgage payment debts you will also find a range -- and it is much broader than those found in student debt burden studies.

To answer the question of how many and what kinds of students experience "debt burden" is relatively easy if we accept one or more of the general ranges of debt to income ratios. You

simply apply these criteria to the data at hand on incomes and debt repayments of borrowers. I have estimated that about 10 percent of the Pennsylvania borrowers currently in repayment experience "debt burdens." But this estimate does not address the "debt burdens" of borrowers who defaulted on smaller balance loans because they had no incomes or insufficient incomes at the time their loans reached maturity. If we consider these students, the percentage of borrowers with "real" debt burdens as compared to "theoretical" burdens is probably double, or at about one out of five.

I know of no studies that have attempted to assess the effects of potential loan debt and future debt burdens on student access, choice, and choice of majors. We can hypothesize that there are some such effects but it would be difficult to objectively measure them through research. Given the lack of perfect information available to students on college costs, financial aid, and future income streams associated with specific majors and given the multiplicity of factors which contribute to student choices in these areas, it would be most difficult to design research to conclusively assess the influence of potential debt. I will note here that our Pennsylvania data show only modest differences in borrowing patterns among students at different types of four-year colleges and among students following different majors within those colleges. I might also note that statistically significant differences in mean debt levels between student groups do not always indicate that the differences are of any practical importance. An additional $1,000 loan debt on a ten-year note at eight percent interest adds only about $12 to the monthly payment, an amount which is of little practical consequence.

The NASFAA study is one of a few that have attempted to assess the effects of real loan debt and burdens on post-baccalaureate choices and behavior and it found only modest impacts. Kathy Little of the University of California at Santa Cruz studied these issues for her college's alumni and found similar results. When I looked at the experiences of a sample of 1981 Pennsylvania alumni I found that: (1) only a few borrowers were experiencing loan repayment burdens; (2) there was no relationship between marital statuses and borrowing rates or levels; (3) alumni who had gone to graduate school or were planning on advanced degrees had higher, not lower, debt levels than others who had completed baccalaureate degrees; (4) there were no significant differences in first year earnings of borrowers and non-borrowers employed in similar occupations, suggesting that borrowers probably did not obtain higher-paying jobs to repay their loans; and (5) GSLP debt levels did vary by alumni occupations, with engineers having higher debt levels and marketing and sales personnel having lower debt levels -- but engineers earned more and marketing/sales personnel earned less, so their relative repayment situations were similar.

Because so many factors influence post-baccalaureate choices it would be difficult to assess the effects of loan debt on those choices. But this doesn't mean that we should not try to assess these effects. Ted Marchese, vice president of the American Association of Higher Education, has listed the chronological order of choices that might be affected by loans and loan debt and hypothesized that the influence of loans gets stronger the later one goes in his "decision chain." I will repeat his list here as I think it provides some nice direction to the kinds of issues we ought to address with our research. His list is as follows: (1) the decision to pursue a postsecondary education; (2) a choice of what type of institution to enroll in; (3) once in college, a choice related to persistence in college and the choice of major; (4) upon graduation, a choice of whether to enter the work force or to pursue graduate or professional studies; and (5) at the conclusion of studies, a choice of specialty and employer.

Debt levels and consequent debt burdens are almost certain to continue to increase. Therefore, we need much more knowledge and data on the possible consequences for students and borrower alumni. I hope you will help gather some of this data and develop this knowledge. Thank you.

Department of Higher Education

593

OFFICE OF STUDENT ASSISTANCE

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GSL DEFAULT TRENDS IN NEW JERSEY: COMPARING COHORT DEFAULT RATES

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NCHELP/NASSGP Research Conference
May 28, 1986

Explanatory Notes for the Graphs

(1) New Jersey Student Loan Program Volume: Net Loan Dollars and Number of Loans Guaranteed for the academic years 1980-1981 to 1984-1985

- Loan volume peaked for the 1981-1982 academic year, stimulated by the federal government's announcement of new regulations which would require students with family incomes over $30,000 to pass a "needs" test for applications made after October 1981.

- In 1981-1982 the PLUS loan program was introduced which has no income limitations, but has a higher interest rate (12%) and requires parents to start repayment within 60 days (while the student is still in school).

- Since 1982-1983 the total annual GSL loan volume has been relatively stable; the out-of-state and New Jersey collegiate volume decline has been replaced by a rapid increase in non-collegiate loan volume.

(2) Student Borrowers by Income and Sector 1984-1985

- Borrowers with family incomes over $30,000 are concentrated in the out-of-state sector, where the average educational costs are the highest and therefore the family financial aid need is higher.

- There are major differences in the income distribution of student borrowers by sector. The proportion of borrowers with incomes under $15,000 is 60% at New Jersey non-collegiate institutions, 30% at New Jersey colleges, and only 20% at out-of-state institutions.

(3) Loan dollars on Repayment and Default Claims ($millions) by sector for 1981-1982 to 1984-1985 state fiscal years.

- The bars show the total number of loan dollars due for repayment at the beginning of each state fiscal year (July 1), and the defaulted loan dollars for which claims were received from lenders during the next twelve months.

- The default rate shown for the sectors is calculated according to the federal "default claim rate" formula used to determine a state's eligibility for 100% federal reinsurance and reimbursement of all defaulted dollars to lenders. If the statewide average federal reinsurance default claim rate reaches 5.0% or higher, federal reimbursement of default claims drops to 90% and the rest must be paid from NJHEAA reserve funds. In federal FY 1985 the statewide rate was 4.85%.

- The federal reinsurance default claim rate uses the defaulted loan dollars claimed by lenders during a fiscal year, although the date when the loan legally defaulted for failure to repay may have occurred several years earlier. The claim rates rose in 1984-1985 in part because of new regulations limiting the lenders' time to file a claim.

(4) Newly Matured Loans Entering Repayment: Students repaying or defaulting in the same year that the loan becomes due from 1981-1982 to 1984-1985.

- The bars show the total number of students in each sector whose loans matured (became due for repayment) during each fiscal year, and the number of these students who defaulted during that same year (in most cases for failure to establish a repayment schedule with the lender).

- The defaults shown are those whose legal date of default falls within the same year (the legal date is either the end of the grace period if no repayment agreement has been signed, or failure to pay installments for 120 days). Since it takes over 12 months after the default date before the majority of the claims are filed, we do not yet know the actual number of defaults among the students whose loans matured in 1984-1985.

- These student default rates are a better indication of actual changes in borrower behavior than the federal reinsurance claim rates, which also reflect changes in lender default claim processing time. By using the date that the default legally occurred rather than when the claim was filed, it becomes clear that the only real change in behavior is taking place in the New Jersey non-collegiate sector.

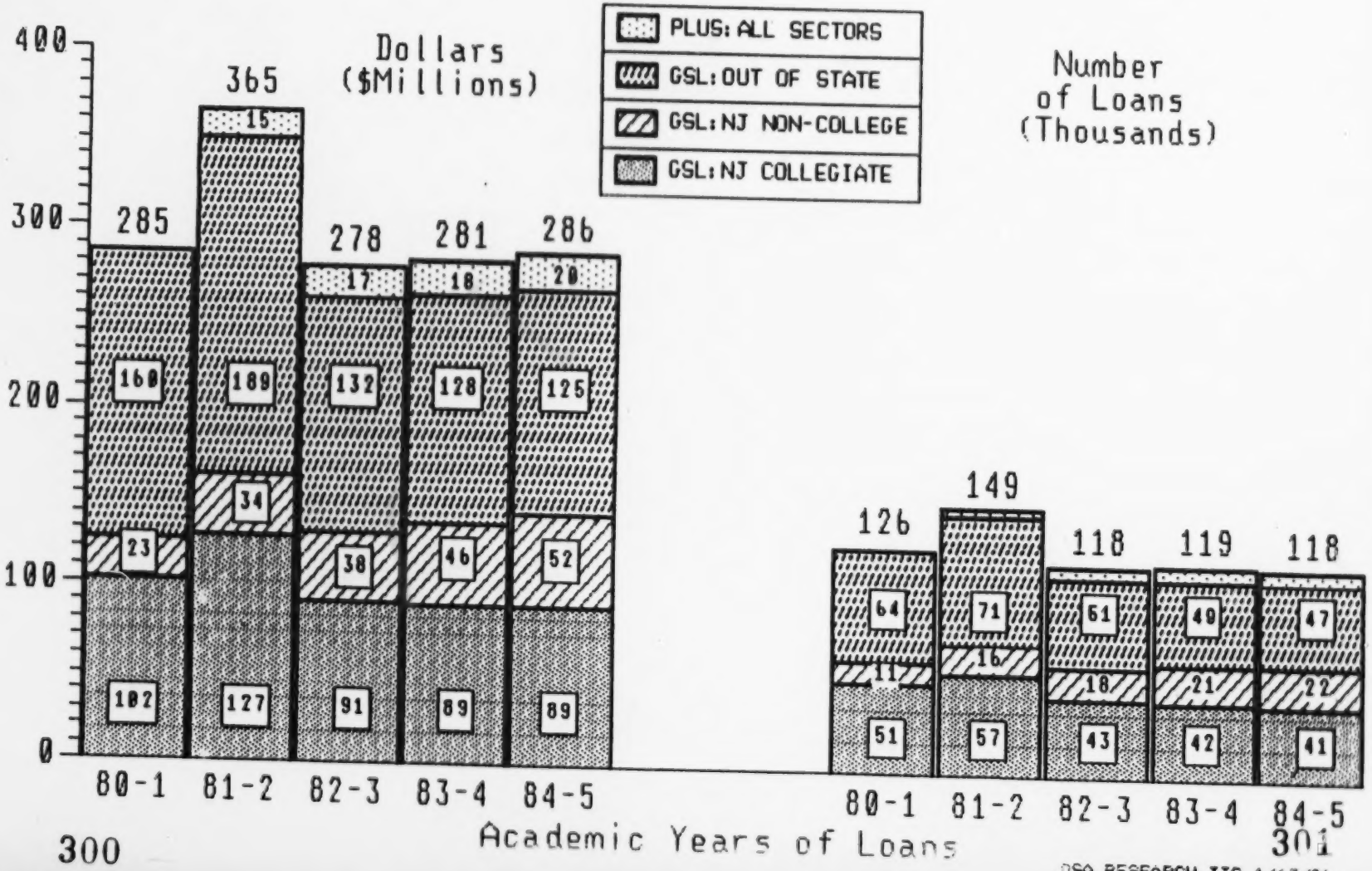
The tables which are attached require some explanation, since they are designed to analyze default rates in a new way. For each sector or institution the first column shows the total number of borrowers whose loans matured during each fiscal year (July 1 - June 30) from 1980-81 to 1984-85. These students normally would have left school in the prior six to nine months. The next set of columns shows the number who defaulted within the 12 months of the same fiscal year, one year later, two years later, etc. By "defaulted" we mean when they actually stopped meeting their obligation to pay, either because they never established a repayment schedule at the end of the grace period or they failed to make a payment for four months. (The date when the lender submits the claim for the default is normally used for default rates, but this can be several months or even years after the default took place.) The largest number of defaults occur in less than 12 months after the loan matures, and then the number gets smaller in each succeeding year.

The annual default rates calculated in the next column are the percentage of students " t risk" who defaulted during that one-year time period. The group "at r sk" in the first year counts all matured accounts. It gets smaller in each succeeding year because it excludes all those who either paid off their loans or had already defaulted in a prior year.

The cumulative default rate is simply the total number of borrowers who had ever defaulted at the end of that year divided by the original total number of matured loans. The cumulative rate tells us what percentage of all the original borrowers had ever defaulted at the end of that year; the annual rate tells us what percentage of those who could have defaulted did so in that particular year.

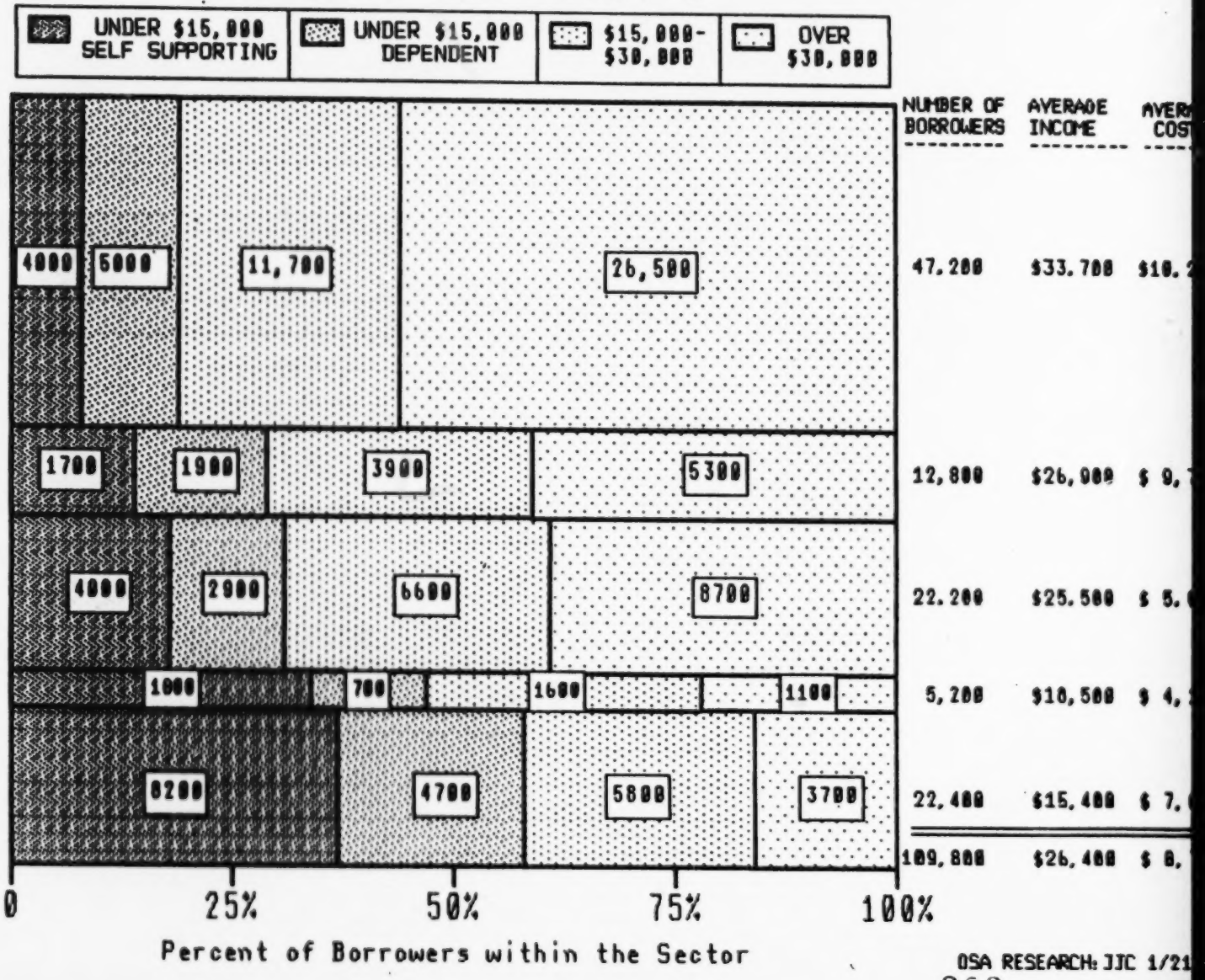
LKB:dr

(1) NJ GUARANTEED STUDENT LOAN PROGRAMS
NET DOLLARS AND NUMBER OF LOANS GUARANTEED
For Academic Years 1980-1 to 1984-5



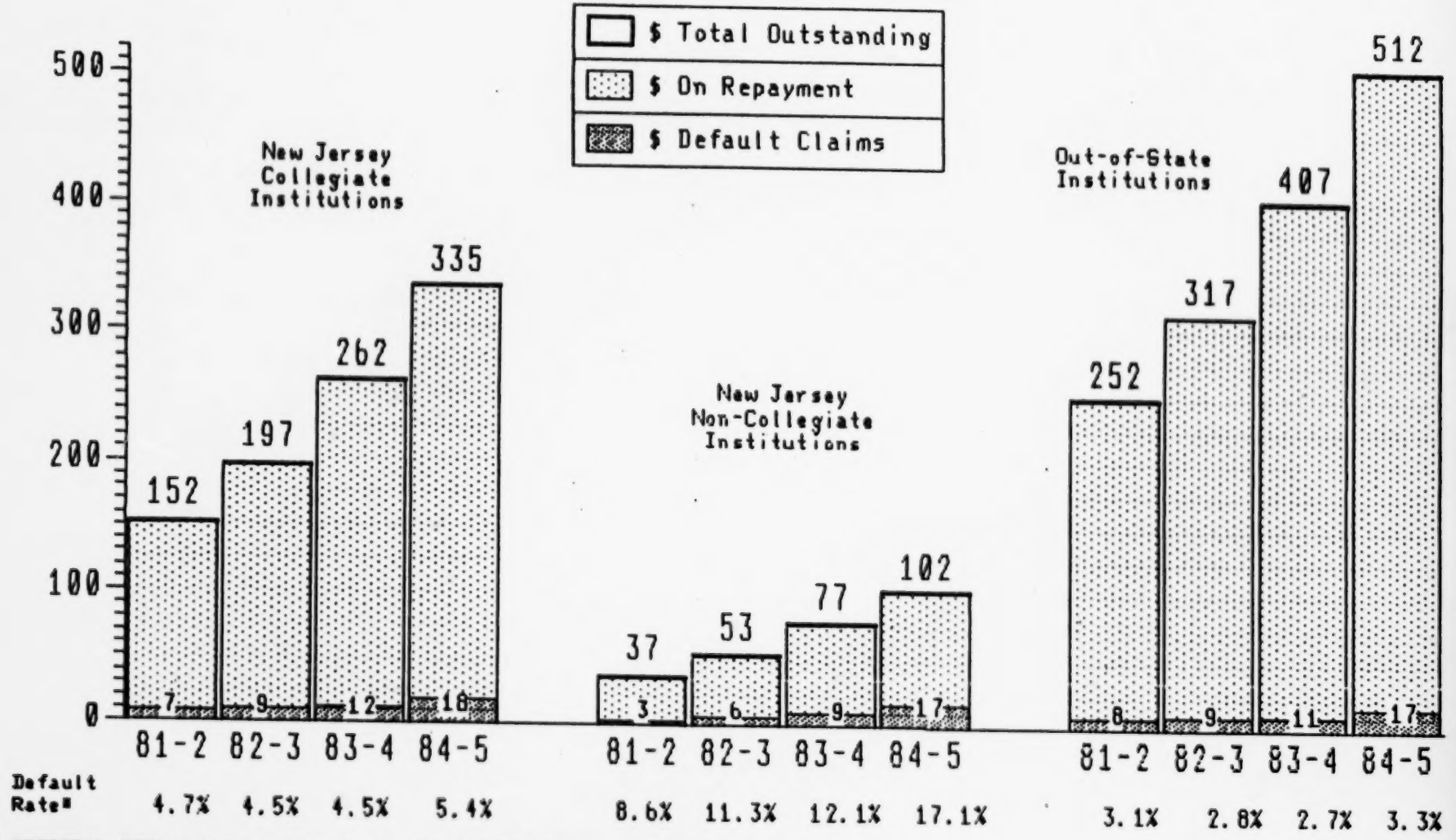
OSA RESEARCH: JJC 1/15/86

(2) STUDENT BORROWERS BY INCOME AND SECTOR
NJ Guaranteed Student Loan Program
Academic Year 1984-5



OSA RESEARCH: JJC 1/21

(3) LOAN DOLLARS ON REPAYMENT AND DEFAULT CLAIMS
NJ GSL Program 1981-2 to 1984-5
(Millions $)

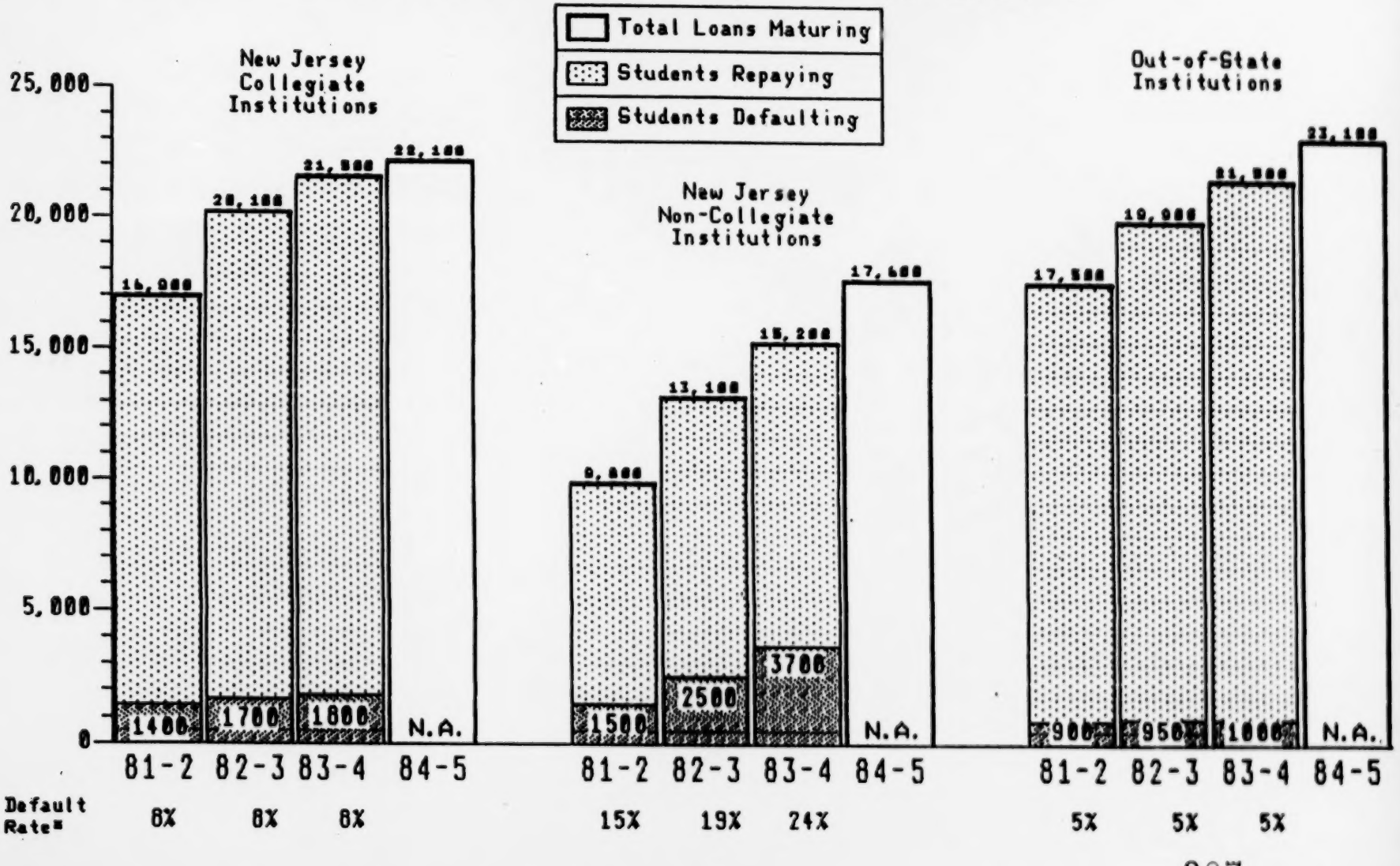


*FEDERAL REINSURANCE DEFAULT CLAIM RATE BASED ON MATURED LOAN DOLLARS OUTSTANDING AND CLAIMS FILED BY LENDERS DURING THE YEAR

OSA RESEARCH: JJC 1/21

599

(4) NEWLY MATURED LOANS ENTERING REPAYMENT
Students Repaying or Defaulting in the First Year
NJ GSL Program 1981-2 to 1984-5



*BASED ON NUMBER OF BORROWERS AND DATE THE LOAN LEGALLY DEFAULTED

OSA RESEARCH: JJC 1/11

INSTITUTIONS ATTENDED AND FISCAL YEAR OF MATURITY		NUMBER OF MATURED LOANS	NUMBER OF DEFAULTS PER YEAR					ANNUAL DEFAULT RATE					CUMULATIVE DEFAULT RATE				
			SAME YEAR	ONE YEAR LATER	TWO YEARS LATER	THREE YEARS LATER	FOUR YEARS LATER	SAME YEAR	ONE YEAR LATER	TWO YEARS LATER	THREE YEARS LATER	FOUR YEARS LATER	SAME YEAR	ONE YEAR LATER	TWO YEARS LATER	THREE YEARS LATER	FOUR YEARS LATER
		N	N	N	N	N	N	RATE	RATE	RATE	RATE	RATE	RATE	RATE	RATE	RATE	RATE
NEW JERSEY COLLEGIATE	FY MATURED																
	1980-1	11876	964	571	286	263	139	8.1	5.2	2.9	2.9	1.7	8.1	12.9	15.3	17.5	18.
	1981-2	16863	1425	851	517	259		8.5	5.5	3.7	2.0		8.5	13.5	16.6	18.1	
	1982-3	20137	1674	1115	584			8.3	6.0	3.5			8.3	13.9	16.8		
	1983-4	21503	1795	1137				8.3	5.8				8.3	13.6			
	1984-5	22139															
NJ PROPRIETARY	FY MATURED																
	1980-1	6135	606	495	269	180	108	9.9	9.0	5.6	4.2	2.9	9.9	17.9	22.3	25.3	27.
	1981-2	9763	1465	960	533	244		15.0	11.6	7.6	4.0		15.0	24.8	30.3	32.8	
	1982-3	13109	2541	1543	630			19.4	14.6	7.3			19.4	31.2	36.0		
	1983-4	15187	3699	1634				24.4	14.2				24.4	35.1			
	1984-5	17588															
OUT OF STATE	FY MATURED																
	1980-1	13179	565	441	321	216	150	4.3	3.5	2.7	1.9	1.4	4.3	7.6	10.1	11.7	12.
	1981-2	17494	878	595	430	247		5.0	3.6	2.7	1.7		5.0	8.4	10.9	12.3	
	1982-3	19879	943	754	409			4.7	4.0	2.3			4.7	8.5	10.6		
	1983-4	21530	998	774				4.6	3.8				4.6	8.2			
	1984-5	23092															
TOTAL	FY MATURED																
	1980-1	31190	2135	1507	876	659	397	6.8	5.2	3.3	2.7	1.8	6.8	11.7	14.5	16.6	17.
	1981-2	44120	3768	2406	1480	750		8.5	6.0	4.0	2.2		8.5	14.0	17.3	19.0	
	1982-3	53125	5158	3412	1623			9.7	7.1	3.8			9.7	16.1	19.2		
	1983-4	58220	6492	3545				11.2	6.9				11.2	17.2			
	1984-5	62819															

DEFAULT DATE IS BASED ON WHEN THE STUDENT FAILED TO REPAY RATHER THAN THE DATE THE LENDER FILED THE CLAIM

NJ PROPRIETARY		NUMBER OF MATURED LOANS	NUMBER OF DEFAULTS PER YEAR					ANNUAL DEFAULT RATE					CUMULATIVE DEFAULT RATE				
			SAME YEAR	ONE YEAR LATER	TWO YEARS LATER	THREE YEARS LATER	FOUR YEARS LATER	SAME YEAR	ONE YEAR LATER	TWO YEARS LATER	THREE YEARS LATER	FOUR YEARS LATER	SAME YEAR	ONE YEAR LATER	TWO YEARS LATER	THREE YEARS LATER	FOUR YEARS LATER
		N	N	N	N	N	N	RATE	RATE	RATE	RATE	RATE	RATE	RATE	RATE	RATE	RATE
BUSINESS SECRETARIAL	FY MATURED																
	1980-1	3354	338	285	146	97	62	10.1	9.4	5.6	4.2	3.0	10.1	18.6	22.9	25.8	27.7
	1981-2	4991	830	478	286	130		16.6	11.5	8.1	4.2		16.6	26.2	31.9	34.5	
	1982-3	6676	1327	775	333			19.9	14.5	7.6			19.9	31.5	36.5		
	1983-4	7771	2019	838				26.0	14.6				26.0	36.8			
	1984-5	9503	1341					14.1					14.1				
TRADE TECHNICAL	FY MATURED																
	1980-1	1671	169	130	72	52	33	10.1	8.7	5.5	4.5	3.2	10.1	17.9	22.2	25.3	27.3
	1981-2	3067	409	299	162	66		13.3	11.2	7.2	3.3		13.3	23.1	28.4	30.5	
	1982-3	3650	497	370	175			13.6	11.7	6.5			13.6	23.8	28.5		
	1983-4	4074	636	380				15.6	11.1				15.6	24.9			
	1984-5	4788	468					9.8					9.8				
COSMETOLOGY	FY MATURED																
	1980-1	835	95	77	42	28	11	11.4	10.4	6.7	5.1	2.3	11.4	20.6	25.6	29.0	30.3
	1981-2	1366	212	168	80	42		15.5	14.6	8.7	5.3		15.5	27.8	33.7	36.7	
	1982-3	2377	698	379	111			29.4	22.6	9.0			29.4	45.3	50.0		
	1983-4	2913	1029	400				35.3	21.2				35.3	49.1			
	1984-5	2848	602					21.1					21.1				
HOSPITAL HEALTH	FY MATURED																
	1980-1	275	4	3	9	3	2	1.5	1.1	3.5	1.3	0.9	1.5	2.5	5.8	6.9	7.6
	1981-2	339	14	15	5	6		4.1	4.6	1.7	2.1		4.1	8.6	10.0	11.8	
	1982-3	406	19	19	11			4.7	4.9	3.0			4.7	9.4	12.1		
	1983-4	429	15	16				3.5	3.9				3.5	7.2			
	1984-5	449	15					3.3					3.3				

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